

2014 Annual Report - Management's Discussion & Analysis

March 10, 2015

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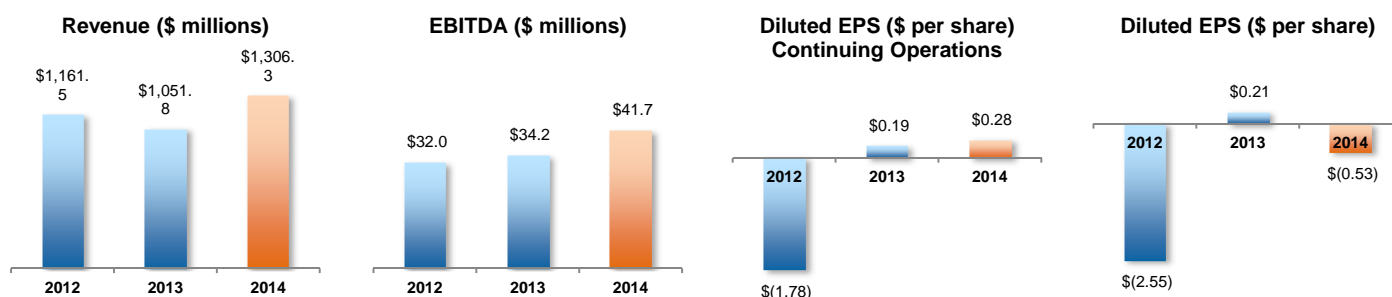
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The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Stuart Olson Inc. ("Stuart Olson", the "Company", "we", "us", or "our") for the three and twelve months ended December 31, 2014, dated March 10, 2015, should be read in conjunction with the December 31, 2014 Audited Consolidated Annual Financial Statements and related notes thereto. Additional information relating to Stuart Olson, including our quarterly and annual reports and Annual Information Form ("AIF"), is available under the Company's SEDAR profile at www.sedar.com and on our website at www.stuartolson.com. Unless otherwise specified all amounts are expressed in Canadian dollars.

The information presented in this MD&A, including information relating to comparative periods in 2013 and 2012, is presented in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

Readers should also read the section entitled "Forward-Looking Information" at the end of this document.

2014 OVERVIEW



2014 Corporate Highlights

- On May 22, 2014, we changed our name from "The Churchill Corporation" to "Stuart Olson Inc.", and our trading symbol from "CUQ" to "SOX". The name change reflects our strategic shift from a holding company to an integrated construction services company.
- On September 1, 2014, we divested of Broda Construction Inc. ("Broda") for estimated gross proceeds of \$38.7 million, subject to finalization of purchase price adjustments. Broda was formerly included in our Industrial Group results. Current and historical results have been restated to present Broda as a discontinued operation.
- In September, 2014, we raised gross proceeds of \$80.5 million (\$76.6 million net of transaction costs) through the issue of 6% convertible unsecured subordinated debentures due on December 31, 2019.
- On November 26, 2014, we announced an agreement to acquire Studon Electric & Controls Inc. ("Studon"), a non-union industrial electrical and instrumentation contractor headquartered in Red Deer, Alberta. The acquisition closed on January 6, 2015, with an estimated preliminary purchase price on closing of \$77.8 million, including \$59.9 million in cash, \$7.8 million in common shares, the assumption of net debt and an estimated working capital adjustment. The purchase price may be further increased by the fair value of earn-out payments by a maximum of \$24.2 million based on Studon's performance over the next three years.

2014 Financial Highlights

- Revenue increased 24.2% to \$1,306.3 million, from \$1,051.8 million in 2013. Contract income increased 6.3% to \$115.7 million, from \$108.8 million in 2013.
- 2014 contract income margin declined to 8.9% from 10.3%, reflecting a higher contribution of lower margin Buildings Group revenue in 2014, as well as project losses on certain Buildings Group industrial site projects.
- EBITDA increased 21.9% to \$41.7 million, from \$34.2 million in 2013. EBITDA results reflect increased revenue from all business groups and a consistent year-over-year consolidated EBITDA margin.
- 2014 net earnings from continuing operations increased to \$7.1 million (diluted earnings per share of \$0.28), from \$4.6 million in 2013 (diluted earnings per share of \$0.19), driven by higher contract revenue.

- We recorded a 2014 net loss of \$13.1 million (diluted loss per share of \$0.53), compared to net income of \$5.1 million (diluted earnings per share of \$0.21) in 2013, reflecting the non-cash loss of \$16.8 million incurred on the sale of Broda.
- Backlog of \$2.0 billion reflects \$1.2 billion in new contract awards and net increases in project scope awarded during the year (book-to-bill ratio of 0.94 to 1.0).
- As at December 31, 2014, we were in full compliance with our long-term debt covenants, had available cash of \$104.1 million and additional borrowing capacity of approximately \$118.6 million.
- On March 10, 2015, our Board of Directors (“Board”) declared a common share dividend of \$0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable April 15, 2015 to shareholders of record on March 31, 2015.

ECONOMIC DEVELOPMENTS

The rate of economic growth improved in Western Canada through most of 2014. Rising energy output continued to drive rapid growth in Alberta’s economy and provided support for construction activity in the province. British Columbia, Saskatchewan and Manitoba enjoyed solid economic growth, with healthy levels of commercial, industrial and infrastructure investment.

In the fourth quarter, oil prices for West Texas Intermediate (WTI), the U.S. benchmark crude, experienced an unexpected and dramatic decline following OPEC’s decision to maintain existing levels of production despite excess supply in the market. A number of major Alberta oil sands producers have since reduced capital spending and announced slowdowns in the construction of new projects. While forecasters predict the Alberta economy will experience significant negative impacts if oil prices remain low for a sustained period of time, none of the major oil sands producers have reined in production from existing or soon-to-be completed projects¹. The Canadian Association of Petroleum Producers predicts oil sands producers will spend \$25 billion of capital in 2015 despite lower oil prices. In addition, oil sands production remains on track to grow by 0.2 to 0.3 million bpd to an average of 2.3 million bpd in 2015, providing a continuing strong base for maintenance, repair and operation (“MRO”) services².

Outside of Alberta, the economic growth profile for provinces we operate in continues to improve. Ontario, BC and Manitoba are forecasting continued economic growth in 2015, with a number of sectors expected to benefit from lower energy costs and a weaker Canadian dollar.

OUTLOOK

We expect consolidated revenue for 2015 to be generally in line with overall revenue in 2014, while EBITDA margin as a percentage of revenue is expected to increase. Our outlook reflects our \$2.0 billion backlog, which provides line of sight to revenues for 2015 and 2016. Both the Buildings Group and Commercial Systems Group will be executing large backlogs dominated by public infrastructure projects distributed across multiple provinces. The majority of these projects are underway and are expected to be completed.

The Industrial Group will benefit from the addition of Studon, which was acquired on January 6, 2015 and will add approximately \$157 million of backlog to the group’s existing December 31, 2014 backlog of \$340.6 million. Current oil prices are expected to have a negative impact on new industrial construction opportunities in 2015. However, we anticipate continued strong demand for MRO services, and estimate that approximately 50% of the Industrial Group’s backlog is comprised of these stable and recurring services.

¹ Healing D. Oil prices expected to take \$23B from oilsands cash flows. Calgary Herald. 2015. Available at: <http://calgaryherald.com/business/energy/oil-prices-expected-to-take-23b-from-oilsands-cash-flows>. Accessed March 4, 2015.

² CAPP.ca. Increased access to markets remains critical despite recent oil price decline - Canadian Association of Petroleum Producers. 2015. Available at: <http://www.capp.ca/aboutUs/mediaCentre/NewsReleases/Pages/access-to-markets-remains-critical.aspx>. Accessed March 4, 2015.

Overall we expect market conditions will be challenging in 2015, particularly in terms of increased competition for fewer industrial and commercial construction project opportunities in Alberta. We continue to see good opportunities for infrastructure projects with Western Canadian provincial governments expected to maintain infrastructure spending at stable levels. As noted above, economic conditions are also expected to remain healthy in British Columbia, Manitoba and Ontario, providing opportunities for our operations in these provinces. Supported by our large backlog, we will manage our business tightly, focusing on cost control and strong project execution to ensure we achieve our financial objectives in 2015.

Buildings Group Outlook

We expect Buildings Group revenue to be lower in 2015 than in 2014 as we have significantly reduced our exposure to higher-risk industrial site projects. In 2014, industrial site projects accounted for greater than \$100 million of Buildings Group revenue. In addition, we expect to achieve higher EBITDA margins in 2015, as we tighten our focus on areas of core strength in the infrastructure and commercial markets.

We expect to execute approximately \$511.2 million of the Buildings Group's December 31, 2014 backlog during 2015.

Industrial Group Outlook

In 2014, the Industrial Group benefited significantly from a one-time large construction project that is now in its final stages. This factor, combined with the expected decline in new industrial construction opportunities in Alberta, will likely result in 2015 revenue from our legacy Industrial Group businesses being lower than the levels achieved in 2014. The Studon business also anticipates a year-over-year reduction in revenue as a result of the decline in industrial construction opportunities. We expect to offset some of this impact with our large base of continuing industrial MRO work and the addition of a significant Northwest Territories mining project, which was added to backlog in late 2014. The newly acquired Studon business is also providing opportunities to bundle and cross-sell construction and maintenance services to our respective customer groups.

While total 2015 Industrial Group revenue is targeted to be higher as a result of the Studon acquisition, consolidated Industrial Group EBITDA margins are expected to be weaker year-over-year as a result of increased competition, oil sands operators seeking supplier cost reductions in response to lower oil prices, and an increased proportion of lower risk cost reimbursable MRO work in the revenue mix. We expect the negative impact of low oil prices to be especially prevalent in the first quarter of 2015, given owner delays in moving forward with committed projects as they assess their own capital budgets.

We expect to execute approximately \$330.6 million of Industrial Group backlog in 2015, including \$257.6 million of the December 31, 2014 backlog from our legacy Industrial Group businesses and approximately \$73.0 million of backlog from the Studon business. New contract awards, additional short-duration projects, scope changes and industrial maintenance work are expected to supplement the Industrial Group's combined annual revenue.

Commercial Systems Group Outlook

The Commercial Systems Group's 2015 revenue is expected to be similar to 2014, reflecting strong demand and the sizeable \$212.6 million backlog at December 31, 2014. EBITDA margins for 2015 are forecast to be consistent with 2014 levels.

During 2015, the Commercial Systems Group expects to execute approximately \$162.7 million of its backlog. New awards, short-duration projects, building maintenance and tenant improvement work on existing projects are expected to supplement the backlog revenue executed during the remainder of 2015.

RISKS

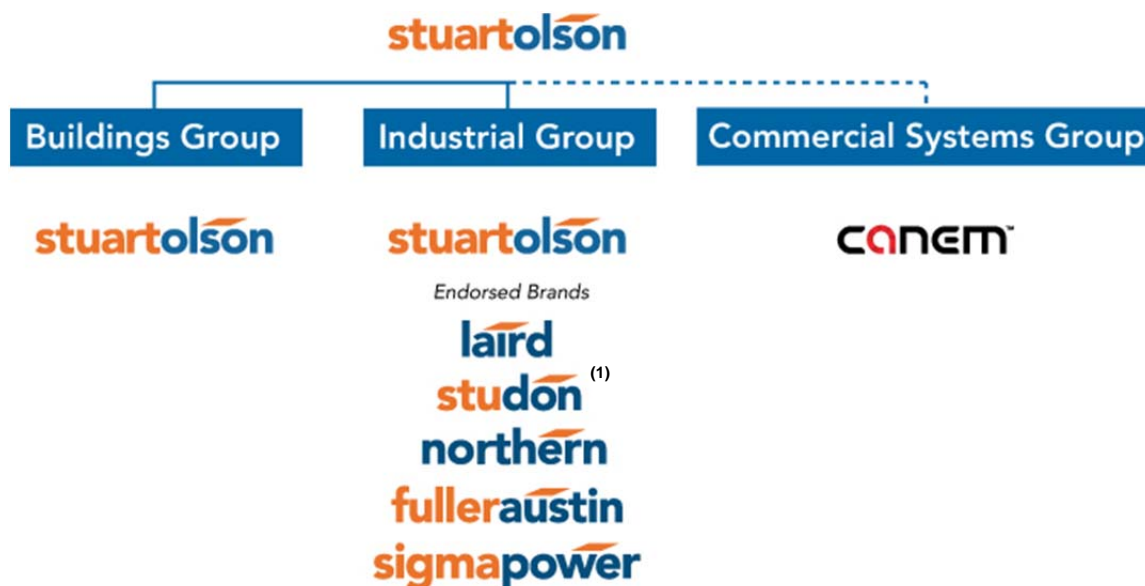
Various factors could cause our actual results to differ materially from the results anticipated by management. The factors are described in more detail in this document and the section of Stuart Olson’s Annual Information Form entitled “Risk Factors”. Readers are also encouraged to review the section of this MD&A entitled “Forward-Looking Information”.

ABOUT STUART OLSON INC.

On May 22, 2014, we changed our name from “The Churchill Corporation” to “Stuart Olson Inc.” The name change reflects our strategic shift from a holding company to an integrated construction services company.

The Stuart Olson name is a well-recognized and respected brand in the construction industry and helps to position us more clearly as a construction services company. Importantly, the rebranding builds on our “One Team with One Vision” business strategy to capitalize on and combine the strengths and synergies of our various business groups.

As part of the overall rebranding, we reorganized the branding of our three business groups as follows:



(1) Studon became part of the Industrial Group on January 6, 2015.

Buildings Group

Our Buildings Group provides services to private and public sector clients in the commercial, light industrial and institutional sectors. It operates through branch offices in Richmond, British Columbia; Calgary and Edmonton, Alberta; Winnipeg, Manitoba; and Mississauga, Ontario.

Projects undertaken by the Buildings Group include the construction, expansion and renovation of buildings ranging from schools, hospitals and sports arenas, to high-rise office towers, retail, high technology facilities and commercial buildings on industrial sites. The Buildings Group focuses on alternative methods of project delivery such as integrated project delivery, construction management and design-build approaches. These methods provide cost reductions for clients as a result of the project efficiencies we can generate. These approaches also support our ability to deliver on-time and on-budget project completion, assist us in building long-term relationships with clients, reduce project execution risk and improve our contract margins.

The majority of the revenue generated by the Buildings Group is from repeat clients or arises through pre-qualification processes and select invitational tenders. Our business model is to pursue larger projects, and, preferably, negotiated construction management-type contracts rather than hard-bid projects. The Buildings Group subcontracts approximately 85% of its project work to subcontractors and suppliers and closely manages the construction process to deliver on commitments.

Industrial Group

The Industrial Group operates under the general contracting brand of Stuart Olson and under our endorsed brands of Laird, Northern, Fuller Austin, Sigma Power and, as of January 6, 2015, Studon. The Industrial Group serves clients in a wide range of industrial sectors including oil and gas, petrochemical, refinery, mining, pulp and paper, and power generation.

Originally organized as separate service companies, the Industrial Group increasingly operates as an integrated industrial contractor, capable of taking on and self-performing larger projects in the industrial construction and MRO space. Services provided by the Industrial Group include mechanical, insulation installation, metal siding and cladding, heating, ventilating and air conditioning (HVAC), asbestos abatement, electrical instrumentation and power line construction and maintenance services.

Commercial Systems Group

The Commercial Systems Group, operating under the Canem brand, is one of the largest electrical and data systems contracting companies in Western Canada. Canem is an industry leader in the provision of complex systems used in today's high-tech, high performance buildings. It not only designs, builds and installs a building's core electrical infrastructure, it also provides the services and systems that support information management, building systems integration, energy management, green data centres, security and risk management and lifecycle services. Additionally, Canem provides ongoing maintenance and on-call service to customers, and manages regional and national multi-site installations and roll outs.

Canem focuses primarily on large, highly complex projects that contain both data and electrical components, or that require extensive logistical expertise. Canem delivers these services on a tendered (hard bid) basis and as part of an integrated project delivery process that includes close involvement with customers from the earliest stages of design. Canem is also an industry leader in the use of off-site assembly of modularized system components (pre-fabrication), which significantly improves worksite productivity.

BUSINESS STRATEGY

Our Vision

Every day Stuart Olson positively impacts the businesses we serve, the communities in which we operate and the lives we touch. Stuart Olson is the trusted partner to the public, private and industrial construction industries.

Our Strategy

The Canadian construction industry is changing. Projects are becoming larger and more complex. Additionally, customers in the industrial sector are choosing contractors that can manage entire projects and self-perform much of the work. A new breed of larger, more sophisticated construction contractors is emerging, and these contractors are increasingly able to provide a one-stop service to their customers. During 2014, we introduced a new business strategy that better aligns our company with the changes reshaping our market.

Our strategy recognizes that our strengths lie in the quality and dedication of our people, our values as an organization and the diverse range of services we offer our customers. Our opportunities for change and growth lie in our operating structure, specifically our ability to bring our industry-leading business groups – each with a rich heritage of innovation and delivering value – together under one brand, one team and one vision, and to successfully communicate, market and deliver this single brand promise to our customers and stakeholders. We made significant progress implementing this strategy in 2014. Our strategic priorities, together with a selection of our key accomplishments, are as follows:

One Team with One Vision: During the first half of 2014, we simplified our operating structure and refocused our brand under one identifiable name: Stuart Olson. The Stuart Olson name has a long history of success, innovation and goodwill in the industry. Under its umbrella, we are now operating as One Team, One Vision and One Brand, not just internally, but outwardly to the marketplace.

Attract and Retain the Best People: We know that organizations that value people excel. Accordingly, we are creating a culture of authentic leadership where all of our people can realize their potential, both as employees and as people. During 2014, we centralized our human resource functions, reinforced our leadership development program and implemented a comprehensive succession plan in support of this priority. Our goal is to ensure we can attract, develop and retain the best people in the industry, which in turn, provides a strong foundation for our ongoing business success.

Achieve Exceptional Safety Performance: Safety is an ingrained value throughout Stuart Olson, fundamental to our way of doing business. Our goal continues to be no less than zero harm, everyone home safe every day. To support reaching our goal we have set a Recordable Injury Frequency target rate of zero for all of our business groups. We continue to reinforce best practices that set the framework for the safety culture on all of our projects. We believe in the leading indicator program that identifies trends on projects that can lead to higher risk of incidents and/or injuries, enabling us to take positive action to mitigate or eliminate those factors.

Delivering Tailored Solutions Through a Uniquely Positive Process: As a service provider, our most important job is to understand our clients and their vision of success. By doing this, we put ourselves in a position to do what we do best; create tailored, results-based solutions within a collaborative and seamless process. Our model for success is simple, yet powerful in its application. An approach to doing business grounded in respect, transparency and collaboration. A commitment to all stakeholders – clients, consultants, trades and community – to engage in a team approach that values people and thrives on fresh ideas and intelligent solutions. A dynamic process that allows for flexibility and adaptability, with a focus on achieving results and nurturing lasting relationships.

Enhance Execution Excellence: Execution excellence and predictable and consistent project results build customer trust and underpin strong and stable financial results. Across all of our operations, we remain focused on enhancing the consistency and standardization of our project planning, project controls, productivity reporting and financial forecasting to further enhance excellence in our project execution.

Optimize Asset Utilization: During 2014, we divested of Broda, a capital intensive and non-core earth moving business. We subsequently acquired Studon, a leading Western Canadian provider of non-union electrical and instrumentation services. The Studon acquisition aligns closely with our objective of transforming our Industrial Group into a fully self-performing general contractor and immediately provides cross-selling opportunities within our Industrial Group. As market timing and balance sheet permit, we will assess the potential for acquiring other industrial companies that provide complementary services or alternative labour strategies. We believe these additions align with our customers' strategies and values, while also supporting our overall growth strategy.

Achieve Growth: During 2014, we achieved consolidated organic revenue growth of 24.2%. Beginning in 2015, the newly acquired Studon business will provide us with additional sources of revenue, while also enhancing our customer diversification and enabling us to supply MRO services to in-situ oil sands operators in an impactful way. Our geographic diversification is also set to expand in 2015 as we begin work on significant new projects in Ontario and the Northwest Territories. Going forward, we will continue to identify other organic and acquisition-based growth opportunities that support our strategic objectives.

Strengthen Balance Sheet and Capital Structure: We recognize that a strong, flexible financial foundation is essential to realizing our goals. During 2014, we sold Broda for gross proceeds of \$38.7 million, subject to the finalization of purchase price adjustments. The sale strengthened our financial position by reducing indebtedness under our revolving credit facility. We also completed an \$80.5 million offering of convertible debentures, providing the balance of capital needed to repay our \$86.3 million convertible debentures when they become due in June 2015. In the interim, a portion of the funds have been used to repay outstanding indebtedness under our revolving credit facility. In early 2015 we used a portion of our year-end 2014 liquidity to fund the acquisition of Studon. Notwithstanding this reduction in liquidity and increased leverage, the Studon acquisition complements our longer term strategy to increase liquidity and reduce leverage through improved financial performance and reduced capital spending.

RESULTS OF OPERATIONS

Consolidated Annual Results

Year ended December 31

<i>\$millions, except percentages and per share amounts</i>	2014	2013 ⁽⁴⁾	2012 ⁽⁴⁾
Contract revenue	1,306.3	1,051.8	1,161.5
Contract income	115.7	108.8	110.8
Contract income margin ⁽¹⁾	8.9%	10.3%	9.5%
EBITDA ⁽¹⁾	41.7	34.2	32.0
EBITDA margin ⁽¹⁾	3.2%	3.3%	2.8%
Net earnings (loss) from continuing operations	7.1	4.6	(43.3)
Net (loss) earnings from discontinued operations	(20.2)	0.5	(19.0)
Net (loss) earnings	(13.1)	5.1	(62.3)
Earnings (loss) per share			
Basic from continuing operations	0.29	0.19	(1.78)
Basic (loss) earnings per share	(0.52)	0.21	(2.55)
Diluted from continuing operations	0.28	0.19	(1.78)
Diluted (loss) earnings per share	(0.53)	0.21	(2.55)
Dividends declared per share	0.48	0.48	0.48

<i>\$millions</i>	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Backlog ⁽¹⁾	1,986.8	2,116.2	1,690.5
Working capital ⁽¹⁾⁽³⁾	54.4	84.9	79.2
Long-term debt (excluding current portion)	0.8	50.3	51.9
Convertible debentures (excluding equity portion) ⁽²⁾	155.8	81.9	79.2
Total assets	783.6	694.7	742.4

Notes: (1) "Contract income margin", "EBITDA", "EBITDA margin", "backlog" and "working capital" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

(2) The convertible debentures issued in 2010, and due in 2015, are presented as a current liability of \$84.8 million as at December 31, 2014; whereas, they were presented as a non-current liability of \$81.9 million as at December 31, 2013.

(3) If the convertible debentures issued in 2010 were excluded from working capital, adjusted December 31, 2014 working capital would have been \$139.2 million (December 31, 2013 - \$84.9 million).

(4) Amounts have been restated as a result of the reclassification of Broda to discontinued operations. See the "Discontinued Operations" subsection of "Results of Operations by Business Group" of this MD&A and Note 13 of our December 31, 2014 Audited Consolidated Annual Financial Statements.

For the year ended December 31, 2014, consolidated contract revenue increased by 24.2% to \$1,306.3 million, from \$1,051.8 million in 2013. Revenue from the Buildings Group increased by \$185.7 million or 36.6%, Industrial Group revenue increased by \$48.9 million or 13.6%, and Commercial Systems Group revenue increased by \$28.6 million or 13.4%. Intersegment revenue for the period was \$37.5 million, an increase of \$8.7 million or 30.2% from 2013. This increase reflects increased intercompany activity among our business groups.

Contract income increased 6.3% to \$115.7 million (8.9% of revenue) in 2014, from \$108.8 million (10.3% of revenue) in 2013. This \$6.9 million increase includes an \$11.7 million or 29.5% increase in contract income from the Industrial Group reflecting the one-time impact of revenue associated with a large oil sands related construction project that is now in its final stages, partially offset by a \$2.7 million or 7.5% decrease in contract income from the Buildings Group, a \$0.2 million or 0.6% decrease from the Commercial Systems Group, and a \$1.9 million reduction from intersegment eliminations. The contract income margin percentage declined from 10.3% in fiscal 2013 to 8.9% in 2014. This decline reflects a higher contribution of lower margin Buildings Group revenue in 2014, as well as project losses on certain Buildings Group industrial site projects.

2014 administrative costs amounted to \$92.5 million (7.1% of revenue), compared to \$91.6 million (8.7% of revenue) in 2013. Administrative costs increased by \$5.9 million or 22.6% in the Corporate Group, \$0.9 million or 5.3% in the Industrial Group, and \$0.1 or 50.0% for intersegment eliminations. These increases were partially offset by administrative cost decreases of \$5.5 million or 16.5% in the Buildings Group and \$0.5 million or 3.4% in the Commercial Systems Group. The year-over-year variance within the various groups is due, in part, to the centralization of a number of support services to the Corporate Group in 2014. The balance of the variances relates primarily to higher activity levels.

EBITDA for the year ended December 31, 2014 increased 21.9% to \$41.7 million, from \$34.2 million in 2013. This \$7.5 million increase reflects higher revenue and contract income, combined with reduced administrative costs (excluding administrative depreciation which is excluded from EBITDA).

Consolidated net earnings from continuing operations increased 54.3% to \$7.1 million in 2014, from \$4.6 million in 2013. This \$2.5 million year-over-year improvement reflects the \$7.5 million increase in EBITDA, partially offset by higher interest costs associated with carrying two convertible debentures for a portion of 2014, increased depreciation associated with the write-down of tenant improvements as part of a reduction in leased Buildings Group office space, and a \$2.1 million increase in income tax expense.

We reported a 2014 net loss from discontinued operations of \$20.2 million, reflecting the \$16.8 million loss on the sale of Broda and \$3.4 million loss from Broda's operations. This compares to 2013 net earnings from discontinued operations of \$0.5 million. Net loss for 2014, which includes the results of discontinued operations, was \$13.1 million, compared to net earnings of \$5.1 million in 2013. The year-over-year change reflects the one-time loss on discontinued operations from the sale of Broda, partially offset by an increase in earnings from continuing operations.

Consolidated Q4 Results

<i>\$millions, except percentages and per share amounts</i>	Three months ended December 31	
	2014	2013 ⁽²⁾
Contract revenue	364.5	283.6
Contract income	32.3	34.4
Contract income margin ⁽¹⁾	8.9%	12.1%
EBITDA ⁽¹⁾	12.0	11.2
EBITDA margin ⁽¹⁾	3.3%	3.9%
Net earnings from continuing operations	1.2	3.4
Net (loss) earnings from discontinued operations	(0.7)	(0.1)
Net earnings	0.5	3.3
Earnings (loss) per share		
Basic from continuing operations	0.05	0.14
Basic earnings per share	0.02	0.13
Diluted from continuing operations	0.05	0.14
Diluted earnings per share	0.02	0.13
Dividends declared per share	0.12	0.12

Notes: (1) "Contract income margin", "EBITDA" and "EBITDA margin" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

(2) Amounts have been restated as a result of the reclassification of Broda to discontinued operations. See the "Discontinued Operations" subsection of "Results of Operations by Business Group" of this MD&A and Note 13 of our December 31, 2014 Audited Consolidated Annual Financial Statements.

For the three months ended December 31, 2014, consolidated contract revenue increased by 28.5% to \$364.5 million, from \$283.6 million in Q4 2013. Fourth quarter revenue from the Buildings Group increased by \$79.4 million or 58.1%, Industrial Group revenue increased by \$3.5 million or 3.6%, and Commercial Systems Group revenue increased by \$0.2 million or 0.3%. Intersegment revenue for the quarter increased to \$11.5 million, from \$9.3 million during the same period last year, reflecting increased intercompany activity among our business groups.

Contract income decreased 6.1% to \$32.3 million in Q4 2014, from \$34.4 million in the fourth quarter of 2013. This \$2.1 million decrease reflects a \$3.4 million or 24.8% decrease in contract income from the Buildings Group and a \$1.4 million or 14.1% decrease from the Commercial Systems Group, partially offset by a \$2.7 million or 26.0% increase from the Industrial Group. Contract income as a percentage of revenue was 8.9% in Q4 2014, compared to 12.1% during the same period last year. The year-over-year contract income decline reflects the higher proportion of lower margin Buildings Group revenue, as well as breakeven margins on a number of industrial site projects currently being completed by the Buildings Group (losses fully recognized in previous quarters) and the booking of additional provisions on one of these projects in the quarter. The decline in the Commercial Systems Group contract income reflects the Q4 2013 completion of a number of high margin projects which did not repeat in Q4 2014 due to project timelines.

Fourth quarter 2014 administrative costs decreased to \$26.4 million (7.2% of revenue) from \$27.6 million (9.7% of revenue) in the fourth quarter of 2013. In the Buildings Group, quarterly administrative costs decreased by \$2.2 million or 23.2% and in the Commercial Systems Group by \$0.7 or 15.6%, while the Industrial Group was consistent year-

over-year. These reductions were partially offset by a \$1.8 million or 20.2% increase in administrative costs in the Corporate Group. Group administrative cost variances are, in part, the result of the centralization of a number of support services to the Corporate Group in 2014.

Fourth quarter EBITDA increased 7.1% to \$12.0 million, from \$11.2 million in Q4 2013. This \$0.8 million improvement reflects higher revenue, partially offset by lower contract income margin.

Consolidated net earnings from continuing operations decreased to \$1.2 million in the fourth quarter of 2014 from \$3.4 million during the same period of 2013. This decline reflects a \$1.7 million decrease in earnings before tax ("EBT") due to higher interest costs associated with carrying two convertible debentures in Q4 2014. It also reflects increased expense associated with the write-down of tenant improvements as part of a reduction in leased Buildings Group office space and a \$0.5 million increase in income tax expense.

Backlog

<i>\$millions, except percentages</i>	Dec. 31, 2014	Dec. 31, 2013
Buildings Group	1,433.6	1,615.1
Industrial Group	340.6	280.7
Commercial Systems Group	212.6	164.7
Backlog relating to continuing operations	1,986.8	2,060.5
Broda	nil	55.7
Consolidated backlog	1,986.8	2,116.2
Construction management	60.5%	58.6%
Cost-plus	23.7%	24.8%
Tendered (hard bid)	15.8%	16.6%

Consolidated backlog as at December 31, 2014 was \$1,986.8 million, down \$129.4 million or 6.1% from backlog of \$2,116.2 at December 31, 2013, but up \$99.8 million or 5.3% from backlog of \$1,887.0 million as at September 30, 2014. The year-over-year decline in backlog includes \$55.7 million related to the disposal of Broda on September 1, 2014 and lower backlog in the Buildings Group due to our strategic decision to reduce exposure to higher-risk industrial site projects. As at December 31, 2014, backlog consisted of work-in-hand of \$1,080.3 million (December 31, 2013 - \$1,159.8 million) and active backlog of \$906.5 million (December 31, 2013 - \$956.4 million). Approximately 60.5% of the backlog consists of construction management (CM) contracts, 23.7% cost-plus arrangements (combined total of 84.2% CM and cost-plus) and 15.8% tendered (hard-bid) work. New contract awards and net increases in contract value of \$1,318.3 million were added to work-in-hand in 2014 (2013 - \$1,330.5 million).

Our book-to-bill ratio for 2014 was 0.94 to 1.0, and 1.27 to 1.0 for the fourth quarter of 2014. Backlog additions exceeded revenue during the fourth quarter primarily due to Industrial Group additions in the period, including a one-year renewal of a key master services agreement, scope increases on existing projects and other major new project awards in Alberta and the Northwest Territories.

RESULTS OF OPERATIONS BY BUSINESS GROUP

Buildings Group Results

<i>\$millions, except percentages</i>	Three months ended		Year ended	
	December 31		December 31	
	2014	2013	2014	2013
Contract revenue	216.1	136.7	693.7	508.0
Contract income	10.3	13.7	33.5	36.2
Contract income margin ⁽¹⁾	4.8%	10.0%	4.8%	7.1%
Administrative costs	7.3	9.5	27.9	33.4
EBITDA ⁽¹⁾	6.0	5.2	12.0	7.3
EBITDA margin ⁽¹⁾	2.8%	3.8%	1.7%	1.4%
EBT ⁽¹⁾	3.1	4.3	5.9	3.2
Backlog ⁽¹⁾			1,433.6	1,615.1

Notes: (1) "Contract income margin", "EBITDA" and "EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

For the three months ended December 31, 2014, revenue from the Buildings Group increased 58.1% to \$216.1 million, from \$136.7 million in Q4 2013. The \$79.4 million increase was primarily attributable to increased commercial and institutional activity in British Columbia, Alberta and Manitoba, and several large industrial site projects.

Contract income decreased to \$10.3 million in the fourth quarter of 2014, from \$13.7 million during the same period in 2013. The \$3.4 million or 24.8% decrease reflects lower 2014 contract income margins, which declined to 4.8% from 10.0% in Q4 2013. The lower contract income margin reflects lower margins on certain industrial site projects.

Fourth quarter EBITDA from the Buildings Group increased to \$6.0 million (2.8% EBITDA margin), compared to EBITDA of \$5.2 million (3.8% EBITDA margin) in the same period in 2013. The \$0.8 million increase reflects administrative cost savings from the centralization of certain administrative activities to the Corporate Group and other targeted reductions in the Buildings Group's administrative spending, partially offset by lower contract income.

EBT declined \$1.2 million or 27.9% to \$3.1 million in the fourth quarter of 2014, from \$4.3 million in Q4 2013. The year-over-year reduction reflects Q4 2014 impairment associated with tenant improvement write-downs as the Buildings Group reduced leased office space.

For the year ended December 31, 2014, Buildings Group revenue increased 36.6% to \$693.7 million, from \$508.0 million in 2013. The \$185.7 million increase was primarily attributable to a significant increase in commercial and institutional activity in British Columbia, Alberta and Manitoba, and increased activity in the group's industrial site buildings branch.

Contract income for the 2014 year was \$33.5 million, compared to \$36.2 million in 2013. The \$2.7 million or 7.5% decrease reflects 2014 project losses on certain industrial site projects. Margin on the Building Group's 2014 contract income was 4.8%, compared to 7.1% last year.

Full year 2014 EBITDA from the Buildings Group increased 64.4% to \$12.0 million (1.7% EBITDA margin), from \$7.3 million (1.4% EBITDA margin) in 2013. This \$4.7 million improvement reflects administrative cost savings from the centralization of certain administrative activities to the Corporate Group and other targeted reductions in the Buildings Group's administrative spending, partially offset by lower contract income. Buildings Group EBT for 2014 improved to \$5.9 million, from \$3.2 million in 2013. The \$2.7 million or 84.4% EBT improvement reflects the higher EBITDA,

partially offset by 2014 impairment associated with the write-down of tenant improvements as part of a reduction in leased Buildings Group office space.

As at December 31, 2014, the Buildings Group's backlog was \$1,433.6 million, compared to \$1,615.1 million at December 31, 2013. The year-over-year decrease of \$181.5 million or 11.2% primarily reflects the decision to reduce exposure to higher-risk industrial site projects going forward. As at December 31, 2014, approximately 79.5% of the Buildings Group's backlog was composed of CM assignments, 17.0% was cost-plus projects (combined total of 96.5% CM and cost-plus) and 3.5% was tendered (hard-bid) projects. The tendered projects reflect the work left to be completed on the remaining industrial site projects. The December 31, 2014 backlog consisted of \$576.7 million of work-in-hand and \$856.9 million of active backlog, compared to \$738.4 million of work-in hand and \$876.7 million of active backlog as at December 31, 2013. With respect to work-in-hand, the segment secured \$531.9 million of new awards and project scope increases during the year, and executed \$693.7 million of contract revenue.

Industrial Group Results

<i>\$millions, except percentages</i>	Three months ended		Year ended	
	December 31		December 31	
	2014	2013 ⁽²⁾	2014	2013 ⁽²⁾
Contract revenue	99.4	95.9	407.8	358.9
Contract income	13.1	10.4	51.3	39.6
Contract income margin ⁽¹⁾	13.2%	10.8%	12.6%	11.0%
Administrative costs	4.6	4.6	18.0	17.1
EBITDA ⁽¹⁾	9.2	6.4	36.1	25.0
EBITDA margin ⁽¹⁾	9.3%	6.7%	8.9%	7.0%
EBT ⁽¹⁾	8.5	5.7	33.4	22.6
Backlog ⁽¹⁾			340.6	280.7

Notes: (1) "Contract income margin", "EBITDA", "EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

(2) Amounts have been restated as a result of the reclassification of Broda to discontinued operations. See the "Discontinued Operations" subsection of "Results of Operations by Business Group" of this MD&A and Note 13 of our December 31, 2014 Audited Consolidated Annual Financial Statements.

For the three months ended December 31, 2014, the Industrial Group increased revenue by 3.6% to \$99.4 million, from \$95.9 million during the same period in 2013. The \$3.5 million improvement reflects a higher volume of construction work on oil sands projects compared to the fourth quarter of 2013.

The Industrial Group increased fourth quarter 2014 contract income to \$13.1 million, an improvement of \$2.7 million or 26.0% over the \$10.4 million achieved during the same period in 2013. Fourth quarter contract income margins increased to 13.2% from 10.8% in Q4 2013, reflecting a one-time large construction project in the oil sands, project mix, stage of completion, and improved project execution.

EBITDA from the Industrial Group increased by 43.8% to \$9.2 million (9.3% EBITDA margin) in the fourth quarter of 2014, from \$6.4 million (6.7% EBITDA margin) in the fourth quarter of 2013. The \$2.8 million year-over-year improvement reflects increased contract income.

For the full year ended December 31, 2014, the Industrial Group revenue increased by 13.6% to \$407.8 million, from \$358.9 million in 2013. The \$48.9 million revenue growth reflects higher volumes of work in Alberta's oil sands and Northern Ontario's mining industry.

Contract income increased 29.5% to \$51.3 million in 2014, up \$11.7 million from the \$39.6 million generated by the Industrial Group in 2013. Full year contract income margins increased to 12.6%, from 11.0% year over year, reflecting the one-time large construction project, project mix, stage of completion, strong project execution and write-downs taken on challenging projects in 2013 not repeating in 2014.

Full year EBITDA from the Industrial Group increased 44.4% to \$36.1 million (8.9% EBITDA margin) in 2014, from \$25.0 million (7.0% EBITDA margin) in 2013. The \$11.1 million improvement reflects increased contract income, partially offset by higher administrative costs to support increased activity levels.

The Industrial Group's backlog was \$340.6 million as at December 31, 2014, compared to backlog of \$280.7 million at December 31, 2013. The \$59.9 million or 21.3% increase is primarily due to new project awards and extensions of existing large maintenance contracts during 2014. As at December 31, 2014, approximately 66.3% of the Industrial Group's backlog was composed of cost-plus projects and 33.7% was tendered (hard-bid) projects. The December 31, 2014 backlog consisted of \$325.1 million of work-in-hand and \$15.5 million of active backlog, compared to \$225.9 million of work-in-hand and \$54.8 million of active backlog at December 31, 2013. With respect to work-in-hand, the Industrial Group contracted \$505.9 million of new awards and scope increases during the year and executed \$406.8 million of construction activity.

Commercial Systems Group Results

\$millions, except percentages	Three months ended		Year ended	
	December 31		December 31	
	2014	2013	2014	2013
Contract revenue	60.5	60.3	242.3	213.7
Contract income	8.5	9.9	32.0	32.2
Contract income margin ⁽¹⁾	14.0%	16.4%	13.2%	15.1%
Administrative costs	3.8	4.5	14.3	14.8
EBITDA ⁽¹⁾	5.1	5.8	19.4	19.3
EBITDA margin ⁽¹⁾	8.4%	9.6%	8.0%	9.0%
EBT ⁽¹⁾	4.7	5.4	17.8	17.7
Backlog ⁽¹⁾			212.6	164.7

Notes: (1) "Contract income margin", "EBITDA", "EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

For the three months ended December 31, 2014, the Commercial Systems Group generated revenue of \$60.5 million, in line with the \$60.3 million generated in Q4 2013. The stable revenue result reflects similar activity levels in both periods.

Fourth quarter 2014 contract income from the Commercial Systems Group was \$8.5 million, a reduction of \$1.4 million or 14.1% from the \$9.9 million achieved during the same period in 2013. Fourth quarter contract income margins decreased to 14.0% from 16.4% in the prior year, reflecting project mix and project stage of completion.

EBITDA from the Commercial Systems Group was \$5.1 million (8.4% EBITDA margin) in the fourth quarter of 2014, compared to \$5.8 million (9.6% EBITDA margin) in the fourth quarter of 2013. The reduction in EBITDA margin primarily reflects lower contract income margin.

For the year ended December 31, 2014, revenue from the Commercial Systems Group increased 13.4% to \$242.3 million, from \$213.7 million in 2013. This \$28.6 million improvement reflects the start-up of a number of significant projects in Alberta during 2014.

Contract income for the 2014 year decreased by \$0.2 million, or 0.6%, to \$32.0 million, from \$32.2 million in 2013. Contract income margin was 13.2% in 2014, compared to 15.1% in 2013. The decrease in contract income margin reflects changes in project mix and project stage of completion, as well as increased costs on certain projects as a result of labour productivity issues.

Full year EBITDA from the Commercial Systems Group increased 0.5% to \$19.4 million, from \$19.3 million in 2013. The \$0.1 million increase reflects higher 2014 revenue partially offset by the lower contract income margin. The group's EBITDA margin was 8.0% in 2014, compared to 9.0% in 2013.

Commercial Systems Group backlog increased to \$212.6 million as at December 31, 2014, from \$164.7 million at December 31, 2013, a \$47.9 million or 29.1% increase. As at December 31, 2014, the group's backlog was composed of approximately 30.0% CM and cost-plus projects, and 70.0% tendered projects. The December 31, 2014 backlog consisted of \$178.4 million of work-in-hand and \$34.2 million of active backlog compared to \$139.7 million of work-in-hand and \$25.0 million of active backlog at December 31, 2013. With respect to work-in-hand, the group secured \$280.5 million of new awards and increases in contract value during the year and executed \$242.3 million of construction activity.

Corporate Group Results

	Three months ended		Year ended	
	December 31		December 31	
<i>\$millions</i>	2014	2013	2014	2013
Administrative costs	10.7	8.9	32.0	26.1
Finance costs	3.8	2.9	12.8	11.4
EBT ⁽¹⁾	(14.3)	(11.8)	(44.6)	(37.5)

Note: (1) EBT is a non-IFRS measure. Refer to "Non-IFRS Measures" for the definition of the term.

For the three months ended December 31, 2014, the Corporate Group's administrative costs increased to \$10.7 million, from \$8.9 million in the fourth quarter of 2013. The \$1.8 million or 20.2% increase is primarily related to the inclusion of costs associated with the Studon acquisition and the centralization under the Corporate Group of human resources, marketing, accounting and information technology activities previously managed and accounted for by the individual business groups. The increase was partially offset by a decrease in stock-based compensation expense related to the decrease in our share price in the fourth quarter of 2014, compared to share price appreciation in Q4 2013, and the corresponding impact of mark-to-market pricing.

The Corporate Group's finance costs were \$3.8 million in the fourth quarter of 2014, compared to \$2.9 million during the same period last year. The \$0.9 million or 31.0% increase primarily reflects the carrying of interest costs on two sets of convertible debentures in Q4 2014, partially offset by the interim use of proceeds from the issuance of the September, 2014 \$80.5 million convertible debentures to reduce the balance under our revolving credit facility.

The Corporate Group incurred a fourth quarter 2014 loss before tax of \$14.3 million, compared to a loss before tax of \$11.8 million in the comparable period in 2013. This increase was due primarily to the higher administrative and finance costs.

For the year ended December 31, 2014, Corporate Group administrative costs were \$32.0 million, compared to \$26.1 million in 2013. The administrative cost increase is primarily related to 2014 onerous lease costs associated with moving to smaller facilities, rebranding costs and the centralization under the Corporate Group of human resources, marketing, accounting and information technology activities previously managed and accounted for by the individual business groups. The increase was partially offset by a decrease in stock-based compensation expense related to the

decrease in our share price in 2014, compared to share price appreciation in 2013, and the corresponding impact of mark-to-market pricing.

The Corporate Group's finance costs were \$12.8 million in 2014, compared to \$11.4 million in 2013, an increase of \$1.4 million or 12.3%. Finance costs were higher in 2014 primarily due to carrying interest costs on two sets of convertible debentures in the last half of 2014, partially offset by the interim use of proceeds from the issuance of the September 2014 \$80.5 million convertible debentures to reduce the balance under our revolving credit facility.

For the year ended December 31, 2014, the Corporate Group incurred a loss before tax of \$44.6 million, compared to a loss before tax of \$37.5 million in 2013. The year-over-year change primarily reflects increased administrative and finance costs.

Discontinued Operations

On September 1, 2014, we completed the sale of Broda for estimated gross cash proceeds of \$38.7 million (\$38.3 million received to date, with the balance recorded as accounts receivable), subject to the finalization of purchase price adjustments. The divestiture of Broda was the result of a strategic review undertaken to assess our assets and their utilization in the context of our broader business strategy going forward. Net proceeds of the sale have been used to repay outstanding indebtedness under our revolving credit facility.

In the December 31, 2014 Audited Consolidated Annual Financial Statements and this MD&A, Broda results for current and historical periods have been presented as discontinued operations. Discontinued operations are shown, net of tax, below the calculation of Stuart Olson's net earnings from continuing operations.

Broda's operating results for the previous eight quarters and three calendar years (including the calculation of EBT and EBITDA as though Broda was continuing operations, but excluding the loss incurred on disposal) were as follows:

\$millions	2014 Quarter Ended:				2013 Quarter Ended:			
	Dec. 31	Sep. 30 ⁽²⁾	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Contract revenue	nil	12.9	11.1	6.1	13.4	20.0	11.8	9.4
Contract income	nil	2.3	0.7	(1.7)	1.1	3.5	nil	0.6
EBITDA ⁽¹⁾	nil	2.2	1.2	(0.9)	1.8	3.8	0.4	1.1
EBT ⁽¹⁾	nil	1.1	(2.5)	(2.8)	0.1	2.2	(1.1)	(0.4)
Net (loss) earnings	(0.1)	0.7	(1.9)	(1.9)	0.2	1.6	(0.7)	(0.3)
Backlog ⁽¹⁾	n/a	n/a	45.4	57.3	55.7	41.3	55.4	43.8
Capital and intangible expenditures	nil	0.9	2.0	0.3	2.4	1.0	2.9	0.5

\$millions	2014 Year Ended:	2013 Year Ended:	2012 Year Ended:
	Dec. 31 ⁽²⁾	Dec. 31	Dec. 31
Contract revenue	30.1	54.6	60.6
Contract income	1.3	5.1	3.4
EBITDA ⁽¹⁾	2.4	7.1	4.7
EBT ⁽¹⁾	(4.3)	0.7	(22.0)
Net (loss) earnings	(3.4)	0.8	(19.0)
Backlog ⁽¹⁾	n/a	55.7	30.5
Capital and intangible expenditures	3.2	6.9	6.4

Notes: (1) "EBITDA", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

(2) Results for the three months and year ended December 31, 2014 reflect Broda results up to the September 1, 2014 disposition date.

For complete financial details of discontinued operations, including the loss incurred on the disposal of Broda, please refer to *Note 13* of our December 31, 2014 Audited Consolidated Annual Financial Statements.

LIQUIDITY

Cash and Borrowing Capacity

We monitor our liquidity principally through cash and cash equivalents and available borrowing capacity under our revolving credit facility.

Cash and cash equivalents at December 31, 2014 increased to \$104.1 million from \$36.2 million at December 31, 2013. This \$67.9 million increase reflects net proceeds of \$76.6 million received from the issuance of our 2014 convertible debentures and proceeds of \$38.3 million received to date from the sale of Broda, reduced by the repayment of the majority of indebtedness under our revolving credit facility.

As at December 31, 2014, we had additional borrowing capacity under our revolving credit facility of \$118.6 million, as compared to \$75.0 million at December 31, 2013. The increase in available borrowing capacity relates to the use of the previously mentioned proceeds received from both the issuance of our 2014 convertible debentures and the sale of Broda to pay down the majority of the revolving credit facility during the year.

Debt and Capital Structure

During the year we revised our definition of long-term indebtedness for the purposes of capital management to include principal amounts owing under long-term debt and convertible debentures. In prior periods, long-term indebtedness was comprised of the carrying values of long-term debt and convertible debentures, both net of deferred financing fees.

Long-term indebtedness, including the current portion of long-term debt and convertible debentures, increased to \$169.9 million at December 31, 2014, from \$141.5 million at December 31, 2013. The \$28.4 million increase in long-term indebtedness mainly reflects the issuance of our 2014 convertible debentures, partially offset by the repayment of outstanding amounts on our revolving credit facility. Long-term indebtedness consists of \$166.8 million (December 31, 2013 - \$86.3 million) of outstanding convertible debentures and \$3.1 million of long-term debt (December 31, 2013 - \$55.2 million). The current portion of long-term debt was \$0.4 million as at December 31, 2014 (December 31, 2013 - \$2.6 million). The current portion of convertible debentures was \$86.3 million as at December 31, 2014 (December 31, 2013 - nil).

On September 19, 2014 and September 29, 2014 we issued 6% convertible unsecured subordinated debentures in the principal amounts of \$70.0 million and \$10.5 million, respectively, for gross total proceeds of \$80.5 million. We received proceeds, net of transaction costs, of \$76.6 million. The convertible debentures have a maturity date of December 31, 2019, are convertible at the option of the holder into common shares of Stuart Olson at a conversion price of \$14.15 per share and are convertible at our option on or after December 31, 2017, and at any time prior to December 31, 2018, provided our share price is not less than 125% of the conversion price (\$17.79 per share). On or after December 31, 2018, and at any time prior to the maturity date, the debentures may be redeemed at our option at a price equal to 100% of their principal amounts plus accrued and unpaid interest.

The net proceeds will be used to repay at maturity a portion of the 6.0% convertible unsecured subordinated debentures due June 30, 2015 and, in the interim, have been used to repay the balance of indebtedness under our revolving credit facility in order to minimize interest costs. The balance of the \$86.3 million due on June 30, 2015 to settle our 2010 convertible debentures will be drawn from any excess cash on hand combined with a draw on our revolving credit facility.

We monitor our capital structure through the use of long-term indebtedness to capitalization and net long-term indebtedness to EBITDA metrics, both defined in the "Non-IFRS Measures" section of this MD&A. Indebtedness to capitalization has increased to 44% at December 31, 2014 compared to 37% at year-end 2013, which is slightly higher than our targeted range of 20 to 40% over the long-term. This increase is due to the increase in long-term indebtedness explained above, combined with a year-over-year decrease in equity due principally to the loss from discontinued operations incurred in 2014.

Net long-term indebtedness to EBITDA has declined at December 31, 2014 to 1.58 as compared to 3.07 at year-end 2013. The improvement was driven by the proceeds received on the sale of Broda that were used to pay down our revolving credit facility, combined with year-over-year improved EBITDA performance for each of our operating groups.

In accordance with the terms of our revolving credit facility agreement, the sale of Broda on September 1, 2014 reduced the limit of our revolving credit facility from \$200.0 million to \$167.4 million.

As at December 31, 2014, we were in full compliance with the covenants in our credit facility.

<i>Ratio</i>	Covenant	Actual as at Dec. 31, 2014
Working capital ⁽¹⁾	>1.10:1.00	1.38
Interest coverage	>3.00:1.00	3.41
Total debt to EBITDA	<3.25:1.00	0.07
Senior debt to EBITDA	<2.75:1.00	0.05

Notes: (1) As part of the June 2014 amendments to our \$167.4 million senior secured revolving credit facility, the definition of working capital ratio for covenant calculation purposes was updated to specifically exclude the convertible debentures from current liabilities.

The outstanding balance under the revolving credit facility fluctuates from quarter to quarter as it is drawn to finance working capital requirements, capital expenditures and acquisitions, and repaid with funds from operations, dispositions or financing activities.

Summary of Cash Flows

<i>\$millions</i>	Year ended December 31	
	2014⁽¹⁾	2013⁽¹⁾
Operating activities	23.2	28.7
Investing activities	30.0	(10.1)
Financing activities	14.7	(16.2)
Increase in cash	67.9	2.4
Cash and cash equivalents, beginning of period	36.2	33.8
Cash and cash equivalents, end of period	104.1	36.2

Notes: (1) This table includes both continuing and discontinued operations. See accompanying notes of our December 31, 2014 Audited Consolidated Annual Financial Statements.

For the year ended December 31, 2014, cash generated from operating activities was \$23.2 million as compared to cash generated of \$28.7 million in 2013, a year-over-year net change of \$5.5 million. The additional outflow is largely due to cash tax refunds received in 2013 that did not repeat in 2014.

Cash generated by investing activities was \$30.0 million for the year ended December 31, 2014, as compared to an outflow of \$10.1 million in 2013, a \$40.1 million increase. The primary factor for the increase was the sale of Broda in Q3 2014 for gross proceeds of \$38.7 million.

Cash generated by financing activities totalled \$14.7 million for 2014, as compared to an outflow of \$16.2 million during 2013, an increase of \$30.9 million. This increase primarily reflects the issuance of our 2014 convertible debentures in September, partially offset by the interim use of these proceeds combined with Broda sale proceeds to repay our revolving credit facility.

External Factors Impacting Liquidity

Please refer to the section entitled "Risk Factors" of Stuart Olson's Annual Information Form for a description of circumstances that could affect our sources of funding.

CAPITAL RESOURCES

Our objectives in managing capital are to ensure that we have sufficient liquidity to pursue growth objectives while maintaining a prudent amount of financial leverage.

Capital is composed of equity and long-term indebtedness, including convertible debentures. Our primary uses of capital are to finance operations, execute our growth strategies and fund capital expenditure programs.

In 2014, our capital expenditures from continuing operations were \$7.1 million, compared to \$7.8 million in 2013. Expenditures included \$2.6 million for construction and automotive equipment, \$2.4 million for tenant improvements, \$1.9 million for computer hardware and software and \$0.2 million for office furniture and equipment. Capital and intangible expenditures attributable to discontinued operations were \$3.2 million in 2014, compared to \$6.9 million in 2013.

Capital expenditures are associated with our need to maintain and support existing operations. For 2015, capital spending has been restricted to only those assets we are contractually committed to acquire or that are needed in order to execute our backlog of work. Capital expenditures will be scaled within a range of \$4.5 million to \$6.0 million as we continue to monitor the movement of oil prices and the impact on Western Canadian construction activity. As of March 10, 2015, we expect to spend \$5.0 million on 2015 capital additions.

Working Capital

As at December 31, 2014, we had working capital of \$54.4 million, compared to \$84.9 million at December 31, 2013. The \$30.5 million decrease primarily reflects the 2010 convertible debentures becoming a current liability during 2014. Excluding the 2010 convertible debentures, adjusted December 31, 2014 working capital was \$139.2 million, a \$54.3 million increase from December 31, 2013. This increase reflects cash proceeds from the sale of Broda in 2014 and the balance of the 2014 convertible debenture proceeds after repayment of the balance under the revolving credit facility.

On the basis of our current cash and cash equivalents, the ability to generate cash from operations and the undrawn portion of our revolving credit facility, we believe we have the capital resources and liquidity necessary to meet our commitments, support operations, finance capital expenditures, support growth strategies and fund declared dividends.

For additional information regarding our management of capital, please refer to *Note 32* to the Audited Consolidated Annual Financial Statements.

Contractual Obligations

The following are our contractual financial obligations as at December 31, 2014. Interest payments on the revolving credit facility have not been included in the table below as they are subject to variability based upon outstanding balances at various points throughout the period. Further information is included in *Note 31(c)(iii)* to the Audited Consolidated Annual Financial Statements.

<i>\$thousands</i>	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	\$ 264,196	\$ 264,196	\$ 264,196	\$ -	\$ -	\$ -
Provisions including current portion	7,529	7,529	2,616	869	124	3,920
Convertible debentures (debt portion)	155,760	193,488	93,668	9,660	90,160	-
Long-term debt including current portion	1,208	3,144	412	366	2,366	-
Lease commitments	66,782	68,782	7,241	14,090	14,089	33,362
	\$ 497,475	\$ 537,139	\$ 368,133	\$ 24,985	\$ 106,739	\$ 37,282

Scheduled long-term debt principal repayments due within one year of December 31, 2014 were \$0.4 million (December 31, 2013 - \$2.6 million), while scheduled convertible debenture principal repayments for this same period were \$86.3 million (December 31, 2013 - \$nil).

Share Data

We encourage employees to invest in our shares through an Employee Share Purchase Plan ("ESPP") which is available to all full-time employees. At December 31, 2014, employees held 1,806,909 common shares (December 31, 2013 - 1,630,047 common shares) as a result of purchases made through the ESPP. Under the ESPP, common shares are acquired in the open market at prevailing market prices.

As at December 31, 2014, we had 25,054,310 common shares issued and outstanding and 1,682,042 options convertible into common shares (December 31, 2013 - 24,797,163 common shares and 1,838,117 options). Please refer to *Note 28* and *Note 29* of the Audited Consolidated Annual Financial Statements for further detail. On January 6, 2015, we issued 1,103,081 common shares as partial consideration to Studon shareholders as part of our acquisition of Studon. On January 15, 2015, we issued 88,515 shares pursuant to our Dividend Reinvestment Plan ("DRIP"). The details pertaining to our DRIP are available on our website.

The \$86.3 million of 6.0% convertible debentures issued in 2010 are convertible into 4,545,653 common shares, based on a conversion price of \$18.97 per share. Additionally, our \$80.5 million of 6.0% convertible debentures issued in 2014 are convertible into 5,689,046 common shares, based on a conversion price of \$14.15 per share.

At December 31, 2014, shareholders' equity was \$216.6 million, compared to \$237.0 million at December 31, 2013. This \$20.4 million reduction resulted from the \$13.1 million year-to-date net loss, a \$3.2 million defined benefit plan actuarial loss net of tax, and dividends declared of \$12.0 million. These were partially offset by share capital increases of \$1.4 million and \$2.0 million related to shares issued pursuant to the DRIP and the exercise of options, respectively, and \$4.6 million from the equity component of the 2014 convertible debentures.

DIVIDENDS

Declaration of Common Share Dividend

On March 10, 2015, our Board of Directors declared a common share dividend of \$0.12 per share. The dividend is designated as an eligible dividend under the Income Tax Act (Canada) and is payable April 15, 2015 to shareholders of record on March 31, 2015. The declaration of this dividend reflects the Board of Directors' confidence in our ability to

generate cash flows adequate to support our growth strategy, while providing a certain amount of income to our shareholders.

We also maintain a DRIP, details of which are available on our website (www.stuartolson.com). Future dividend payments may vary depending on a variety of factors and conditions, including overall profitability, debt service requirements, operating costs and other factors affecting cash flow.

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements in place at December 31, 2014.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014, we incurred facility costs of \$0.3 million (2013 – \$0.4 million) for the rental of a building that is 50% owned by Schneider Investments Inc., a company owned by George Schneider, a Director of Stuart Olson. No amounts are included in trade payables as at December 31, 2014 (2013 – \$nil).

We incurred facility costs during the year ended December 31, 2014 of \$0.3 million (2013 – \$0.4 million) for the rental of a building owned by Broda Holdings (2009) Inc. (Broda), a company owned by Gord Broda, the president of Broda, a former subsidiary of the Company. No amounts are included in trade payables as at December 31, 2014 (2013 - \$nil). We reclassified these facility costs as discontinued operations in the consolidated statements of (loss) earnings.

On September 1, 2014, we completed the sale of Broda to TriWest Capital Partners and certain members of the senior management team of Broda, for gross cash proceeds of \$38.7 million. Gord Broda was the President of Broda at the time of disposition and had an indirect interest in the entity that acquired Broda. Chad Danard, a Director of the Company and a Managing Director of TriWest, did not participate in any discussions relating to the Broda disposition.

QUARTERLY FINANCIAL INFORMATION

The following table sets out our selected quarterly financial information for the eight most recent three-month quarters:

<i>\$millions, except per share amounts</i>	2014 Quarter Ended:				2013 Quarter Ended ⁽²⁾ :			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Contract revenue	364.5	350.4	322.9	268.5	283.6	274.8	266.0	227.5
EBITDA ⁽¹⁾	12.0	10.9	9.9	8.9	11.2	8.5	8.9	5.7
Net earnings (loss) from continuing operations	1.2	2.8	1.8	1.3	3.4	1.0	1.2	(0.9)
Net (loss) earnings from discontinued operations	(0.7)	(15.7)	(1.9)	(1.9)	(0.1)	1.6	(0.7)	(0.3)
Net earnings (loss)	0.5	(12.9)	nil	(0.6)	3.3	2.6	0.5	(1.2)
Net earnings (loss) per common share								
Basic from continuing operations	0.05	0.11	0.07	0.05	0.14	0.04	0.05	(0.04)
Basic earnings (loss) per share	0.02	(0.52)	nil	(0.02)	0.13	0.10	0.02	(0.05)
Diluted from continuing operations	0.05	0.11	0.07	0.05	0.14	0.04	0.05	(0.04)
Diluted earnings (loss) per share	0.02	(0.52)	nil	(0.02)	0.13	0.10	0.02	(0.05)

Notes: (1) "EBITDA" is a non-IFRS measure, refer to "Non-IFRS Measures" for the definition.

(2) Amounts have been restated as a result of the reclassification of Broda to discontinued operations. See the "Discontinued Operations" subsection of "Results of Operations by Business Group" of this MD&A and Note 13 of our December 31, 2014 Audited Consolidated Annual Financial Statements.

Financial results improved in the second quarter of 2013 compared to the first quarter of 2013 as modestly better Buildings Group results, consistent results from the Commercial Systems Group and strong operational results from the Industrial Group lifted revenues and earnings.

A positive contribution from the Buildings Group, along with strong results from the Commercial Systems Group and Industrial Group, increased revenue in the third quarter of 2013 relative to the second quarter of 2013; however, increased administrative costs negatively impacted EBITDA and net earnings from continuing operations. Net earnings improved in the quarter as a result of seasonal improvement in Broda's operations, which are presented as discontinued operations.

Financial results in the fourth quarter of 2013 improved compared to the third quarter of 2013 due to slightly increased revenues in all segments and higher contract income margins in the Buildings Group and Commercial Systems Group.

First quarter 2014 financial results declined relative to the fourth quarter of 2013 as our business groups experienced seasonal revenue declines quarter over quarter.

Financial results for the second quarter of 2014 increased compared to the first quarter of 2014, principally due to strong revenue and margin in the Industrial Group and strong revenue growth in the Buildings Group, partially offset by lower Buildings Group margins.

Financial results from continuing operations improved in the third quarter of 2014 compared to the second quarter of 2014 on increased revenue in all segments and higher margin in the Industrial Group and Commercial Systems Group. Despite improved performance, we recognized a net loss for the quarter driven by an after-tax loss on disposal of discontinued operations of \$16.3 million.

Fourth quarter 2014 revenue and EBITDA modestly improved compared to the third quarter of 2014. Improved Buildings Group performance more than offset the fourth quarter impact of seasonal declines in Industrial Group revenue and higher costs associated with the Studon acquisition. Fourth quarter results from continuing operations declined compared to the third quarter of 2014 due to a full quarter of interest on the 2014 convertible debentures and write-downs on Buildings Group tenant improvements. Net earnings improved significantly quarter-over-quarter as the third quarter loss on the disposal of Broda did not repeat in the fourth quarter.

For a more detailed discussion and analysis of quarterly results prior to December 31, 2014, please review our 2014 Interim and 2013 Annual and Interim Reports.

CRITICAL ACCOUNTING ESTIMATES

Our financial statements include estimates and assumptions made by management in respect to operating results, financial condition, contingencies, commitments and related disclosures. Actual results may vary from these estimates. The following are, in the opinion of management, the more significant estimates that have an impact on our financial condition and results of operations:

- Convertible debentures;
- Revenue recognition;
- Estimates used to determine costs in excess of billings and contract advances;
- Estimates in impairment of property and equipment, goodwill and intangible assets;
- Estimates related to the useful lives and residual value of property and equipment;
- Income taxes;
- Provisions for warranty work and legal contingencies;
- Assumptions used in share-based payment arrangements;
- Accounts receivable collectability; and
- Measurement of defined benefit pension obligations.

Convertible Debentures

Convertible debentures issued by Stuart Olson are a compound financial instrument that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, losses and gains relating to the financial liability component are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

Revenue Recognition

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract at the end of the reporting period. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of completing the contract. The stage of completion may also be assessed by reference to survey of work performed. Where there is uncertainty that the economic benefits associated with the contract will flow to the Corporation or where the total contract costs cannot be identified and measured, revenue is recognized only to the extent of contract costs incurred where it is probable those costs will be recoverable.

During the very early stages of significant multi-year contracts, the outcome of the contract cannot always be estimated reliably. In those circumstances where the outcome cannot be reliably estimated, contract revenue is recognized only to the extent contract costs are incurred and expected to be recoverable until such time that the outcome of the contract can be reliably estimated.

Contract costs include costs that relate directly to a specific contract, costs that are attributable to contract activity in general and can be allocated to individual contracts, and such other costs as are specifically chargeable to the customer under the terms of the contract. Contract costs exclude general administration costs (unless reimbursement is specified in the construction contract), selling costs, and research and development costs (unless reimbursement is specified in the construction contract). Contract costs are recognized as expenses in the period in which they are incurred.

Where current estimates indicate that total contract costs will exceed total contract revenue, the full amount of the expected loss is recognized immediately in contract costs.

Revenue from services rendered where the final outcome of the contract can be estimated reliably is recognized in profit or loss in proportion to the stage of completion of the contract at the reporting date. The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. Revenue from time and material contracts where the work scope is not definitive is recognized (at the contractual rates) as labour hours and direct expenses are incurred.

The Corporation recognizes revenue from the sale of materials that are fabricated to customer specifications under specifically negotiated contracts.

[Estimates Used to Determine Costs in Excess of Billings and Contract Advances](#)

Costs in excess of billings represent unbilled amounts expected to be collected from customers for contract work performed to date. The amount is measured at cost plus profit recognized to date less progress billings and recognized losses. Costs include all expenditures directly related to specific projects. Costs in excess of billings are presented as a current asset in the consolidated statements of financial position for all contracts in which costs incurred plus recognized profits exceeds the progress billings and the amounts are expected to be billed and recovered within 12 months.

If progress billings exceed costs incurred plus recognized profits, the difference represents amounts collected in advance for contract work yet to be performed and is presented as contract advances and unearned income in the statements of financial position.

[Estimates in Impairment of Property and Equipment, Goodwill and Intangible Assets](#)

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less any liabilities assumed, based on their fair values. Goodwill is not amortized and is tested annually in the fourth quarter or more frequently if events or changes in circumstances indicate that an asset may be impaired. Goodwill arose during multiple past acquisitions. Goodwill associated with the Buildings Group and Commercial Systems Group cash generating units (CGU) arose from the Seacliff acquisition in 2010. Additional goodwill was attributed to the Commercial Systems Group CGU through the McCaine acquisition in 2011. Industrial Group goodwill stems from the acquisition of Laird in 2003. Goodwill recognized on all of these acquisitions was attributable mainly to the synergies achieved from the integration of the acquired company into

existing construction, commercial and industrial services. Any significant reduction in these estimates could result in an impairment of goodwill. The calculated Business Enterprise Value for each of the CGUs incorporated the financial projections set out in the respective CGU's strategic plan reviewed by senior management and the Board of Directors in December 2014. As of December 31, 2014, Stuart Olson's goodwill was not impaired.

If an impairment loss results from the comparison of the recoverable amount of the CGU to carrying amount, then the impairment loss is allocated first to goodwill and then to certain other assets of the CGU on a pro rata basis of the carrying amount of each asset in the unit.

The recoverable amount of the CGUs' assets was determined based on a value in use calculation. There is a significant amount of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' assets given the necessity of making key economic assumptions about the future. The value in use calculation uses discounted cash flow projections which employ the following key assumptions: future cash flows, present and future discount rates, growth assumptions, including economic risk assumptions and estimates of achieving key operating metrics and drivers. Management uses its best estimate to determine which key assumptions to use in the analysis.

Key Impairment Assessment Assumptions

The key assumptions in the value in use calculations to determine the recoverable amounts by CGU have been prepared using a four-year discounted cash flow analysis with a terminal value. The financial projections used for the discounted cash flow analysis were derived from our 2014 Strategic Plan, which was reviewed by senior management and the Board of Directors in December 2014.

A four-year period for the discounted cash flow analysis was used as financial projections beyond a four-year time period are generally best represented by a terminal value. This period is appropriate given the timing of backlog projects and the predictability of CGU cash flows. Cash flows from growth opportunities are probability-weighted and relate to initiatives management expects to progress on in the medium-to-long term. These cash flows require assumptions to be made regarding the likelihood of projects progressing and the future economics of those projects.

The terminal value was calculated using a discount rate of 12% (2013 – 12%) and a steady annual growth of 2.0% (2013 – 2.0%) in the terminal year. The same discount rate was used in each of the CGUs given that each entity has access to the same source of debt and each CGU is ultimately governed by management at the parent company. In addition, entity specific risks were separately factored into each CGU forecast. That took into consideration market rates of return, capital structure, company size, industry risk and after-tax cost of debt and equity.

Sensitivity of Impairment Assessment Assumptions

Buildings Group and Industrial Group: Management and the Board of Directors believe that any reasonable change to the key assumptions used to determine this CGU's recoverable amount would not cause its carrying value to exceed its recoverable amount.

Commercial Systems Group: A 1.0% increase in the discount rate and no change in the annual growth would cause an impairment charge of approximately \$4.2 million. A decrease in growth rate of 1.0% and no change in the discount rate would cause an impairment charge of approximately \$1.6 million.

Estimates Related to the Useful Lives and Residual Value of Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010 are also capitalized as part of property and equipment.

Borrowing costs that are directly attributable to the acquisition and construction or production of a qualifying asset form part of the costs of the asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within other income in profit or loss.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to us and its cost can be reliably measured. The carrying amount of the part replaced is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss when incurred.

Depreciation is calculated based on the cost of an asset (or deemed cost) less its residual value. Depreciation is recognized for each significant component of an item of property and equipment.

Depreciation is recognized in the statements of earnings (loss) on a straight-line basis over the estimated useful life of each asset. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives, unless it is reasonably certain that we will obtain ownership by the end of the lease term. The method of depreciation has been selected based on the expected pattern of consumption of the economic benefits of the asset.

The estimated useful lives are as follows:

Asset	Basis	Useful Life
Land improvements	Straight line	30 years
Buildings and improvements	Straight line	10 to 25 years
Leasehold improvements	Straight line	Lesser of estimated useful life or lease term
Construction equipment	Straight line	5 to 20 years
Automotive equipment	Straight line	5 years
Office furniture and equipment	Straight line	3 to 5 years
Computer Hardware	Straight line	1 to 3 years
Equipment components	Straight line	1.5 to 3 years

Depreciation commences when the asset is available for use and ceases on the earliest of when the asset is derecognized or classified as held for sale. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted where appropriate.

Income Taxes

Income tax provisions, including deferred income tax assets and liabilities, may require estimates and interpretations of federal and provincial tax rules and regulations, and judgments as to their interpretation and application to our specific situation. Income tax provisions are estimated each quarter, updated each year-end to reflect actual differences and the impact of revenue recognition estimates, and then finalized during the preparation of the tax returns. Any changes between the quarterly estimates, the year-end provision, and the final filing position, may impact the income tax expense category, as well as the income taxes recoverable, income taxes payable, deferred tax asset and deferred tax liability categories.

Provisions for Warranty Work and Legal Contingencies

Provisions for the expected cost of construction warranty obligations under construction contracts are recognized upon completion or substantial performance under the construction contract and represent the best estimate of the expenditure required to settle our obligation.

Provisions related to claims and disputes arising on our contracts are included in this category. The timing and measurement of the related cash flows are, by their nature, uncertain and the amounts recorded reflect the best estimate of the expenditure required to settle the obligations.

Assumptions Used in Share-Based Payment Arrangements

The grant date fair value of stock options granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

In April 2014, we issued three types of medium term share-based awards. These awards were issued substantially in accordance with the Amended 2008 Executive Share Unit Plan and are classified as Bridging Restricted Share Units (BRSU), Restricted Share Units (RSU) and Performance Share Units (PSU).

BRSUs are units that track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant vests 20% in the first year, 30% in the second year, and the remaining 50% in the third year.

RSUs are units that track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years.

PSUs are units that track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years, subject to certain performance criteria. We have set the PSU performance criteria based on a Board approved corporate objective. When each grant vests at three years, the payout can be 0% to 200% of the vested units, depending on our performance against the Board approved corporate objective. Each grant of PSUs is individually evaluated regularly with regard to vesting and payout assumptions.

We will settle the PSUs in cash within 90 days after actual results are determined and reported. The original cost of the PSU is equal to the fair market value at the date of grant. Changes in the amount of the liability due to fair value changes after the initial grant date at each reporting period are recognized as a compensation expense of the period in which the changes occur.

We have a deferred share unit ("DSU") plan which participants were previously entitled to a portion of their earnings. As of January 1, 2013, employees were no longer able to contribute under the DSU plan. DSUs are units which provide the holder the right to receive a cash payment equal to the five-day weighted average of the value of the common shares at the payout date. DSUs are cash settled only when an employee or Director ceases to be an employee or Director. The terms of the plan allow for discretionary grants by the Board of Directors. Discretionary grants vest immediately. As DSUs are awarded, a liability is established and compensation expense is recognized in earnings upon grant. Changes in the amount of the liability due to fair value changes after the initial grant date are recognized as a compensation expense in the period in which the changes occur. DSUs are also adjusted for the dividend reinvestment plan as they are paid.

Information about the vesting conditions for share-based payments is disclosed in *Note 28* of the Consolidated Annual Financial Statements.

Accounts Receivable Collectability

Accounts receivable collectability requires an assessment and estimation of the creditworthiness of the client, the interpretation of specific contract terms, the strength of any security that we may have, and the timing of collection. An

allowance will be provided against any amount estimated to be uncollectible, and reflected as a bad debt expense. Further information can be found in the Financial Instruments section of this report.

Measurement of Defined Benefit Pension Obligations

Fluctuations in the valuation of our defined benefit pension plans expose us to additional risk. Economic factors such as expected long-term rate-of-return on plan assets, discount rates and future salary and bonus increases will cause volatility in the accrued benefit obligation. Refer to *Note 3(f) and 15* to the Audited Consolidated Annual Financial Statements for further information.

All estimates are updated each reporting period to reflect actual activity as well as incorporate all relevant information that has come to the attention of management. Given the nature of construction, with numerous contracts in progress at any given time, the impact of these critical accounting estimates on the results of operations is significant. Activities or information received subsequent to the date of this MD&A may cause actual results to vary, which will be reflected in the results of subsequent reporting periods.

CHANGES IN ACCOUNTING POLICIES

Future Changes in Accounting Standards

We have reviewed new and revised accounting pronouncements that have been issued, but are not yet effective. See *Note 4* to the Audited Consolidated Annual Financial Statements at December 31, 2014 for further information. We are still evaluating the potential impact of future accounting standard changes on our financial reporting.

FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as accounts payable, borrowings and any other amounts that will result in future cash outlays. The fair value of our short-term financial assets and liabilities approximates their respective carrying amounts on the statement of financial position because of the short-term maturity of those instruments. The fair value of our interest-bearing financial liabilities, including capital leases, financed contracts and the revolving credit facility, also approximates their respective carrying amounts due to the floating-rate nature of the debt.

The financial instruments we use expose us to credit, interest rate and liquidity risks. Our Board of Directors has overall responsibility for the establishment and oversight of our risk management framework and reviews corporate policies on an ongoing basis. We do not actively use financial derivatives, nor do we hold or use any derivative instruments for trading or speculative purposes.

We are exposed to credit risk through accounts receivable. This risk is minimized by the number of customers in diverse industries and geographical centres. We further mitigate this risk by performing an assessment of our customers as part of our work procurement process, including an evaluation of financial capacity.

Allowances are provided for potential losses as at the Statement of Financial Position date. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. We take into consideration the customer's payment history, credit worthiness and the current economic environment in which the customer operates to assess impairment.

We establish a specific bad debt provision when we consider that the expected recovery will be less than the actual account receivable. The provision for doubtful accounts has been included in administrative costs in the Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Earnings, and is net of any recoveries that were provided for in a prior period. Allowance for doubtful accounts as at December 31, 2014 was \$2.1 million (December 31, 2013 - \$3.2 million).

In determining the quality of trade receivables, we consider any change in credit quality of customers from the date credit was initially granted up to the end of the reporting period. As at December 31, 2014, we had \$21.3 million of trade receivables (December 31, 2013 - \$20.6 million) which were greater than 90 days past due, with \$19.2 million not provided for as at December 31, 2014 (December 31, 2013 - \$17.4 million). Of the total, \$8.2 million (38.5%) was concentrated in two customer accounts, and of this amount, \$8.2 million remained outstanding as of March 10, 2015. The two customers are considered to be credit-worthy and management is not concerned regarding collectability of these accounts. Trade receivables are included in trade and other receivables on the Statement of Financial Position.

Financial risk is the risk to our earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. We do not use derivative instruments to reduce our exposure to this risk. At December 31, 2014, the increase or decrease in annual net earnings for each 100 basis point change in interest rates on floating rate debt would have been approximately \$0.8 million (December 31, 2013 - \$0.3 million) related to financial assets and by \$nil (December 31, 2013 - \$0.4 million) related to financial liabilities.

Liquidity risk is the risk that we will encounter difficulties in meeting our financial obligations. We manage this risk through cash and debt management. We invest our cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. We invest cash and cash equivalents with counterparties that are of high credit quality as assessed by reputable rating agencies. Given these high credit ratings, we do not expect any counterparties to fail to meet their obligations. In managing liquidity risk, we have access to committed short and long-term debt facilities as well as equity markets, the availability of which is dependent on market conditions.

Under our risk management policy, derivative financial instruments are used only for risk management purposes and not for generating trading profits.

Please refer to *Note 31* of the December 31, 2014 Audited Consolidated Annual Financial Statements for further detail.

Disclosure Controls & Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including our CEO and CFO, on a timely basis, so that appropriate decisions can be made regarding public disclosure. The CEO and CFO together are responsible for establishing and maintaining our disclosure controls and procedures. They are assisted in this responsibility by the Disclosure Committee, which is composed of members of our senior management team.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was carried out under the supervision of our management, including our CEO and CFO, with oversight by the Board of Directors and Audit Committee, as of December 31, 2014. Based on this evaluation, our CEO and CFO have concluded that the design and operation of our disclosure controls and procedures as defined in NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings was effective as at December 31, 2014.

Internal Controls over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of inherent limitations in all control systems, absolute assurance cannot be provided that all misstatements have been detected. Management is responsible for establishing and maintaining adequate internal controls appropriate to the nature and size of the business, and to provide reasonable assurance regarding the reliability of our financial reporting.

Under the oversight of the Board of Directors and our Audit Committee, our management, including our CEO and CFO, evaluated the design and operation of our internal controls over financial reporting using the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework (2013). The evaluation included documentation review, enquiries, testing and other procedures considered

by management to be appropriate in the circumstances. As at December 31, 2014, our CEO and CFO have concluded that the design and operation of the internal controls over financial reporting as defined in NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings was effective.

Material Changes to Internal Controls over Financial Reporting

There were no changes to our internal controls over financial reporting and the environment in which they operated during the period beginning on January 1, 2014 and ending on December 31, 2014 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

NON-IFRS MEASURES

Throughout this MD&A certain measures are used that, while common in the construction industry, are not recognized measures under IFRS. The measures used are "contract income margin percentage", "work-in-hand", "backlog", "active backlog", "book-to-bill ratio", "working capital", "EBITDA", "EBITDA margin", "EBT", "Long-term Indebtedness", "Indebtedness to Capitalization" and "Net Long-Term Indebtedness to EBITDA". These measures are used by our management to assist in making operating decisions and assessing performance. They are presented in this MD&A to assist readers to assess the performance of Stuart Olson and our business groups. While we calculate these measures consistently from period to period, they likely will not be directly comparable to similar measures used by other companies because they do not have standardized meanings prescribed by IFRS. Please review the discussion of these measures below.

Contract Income Margin

Contract income margin is the percentage derived by dividing contract income by contract revenue. Contract income is calculated by deducting all associated direct and indirect costs from contract revenue in the period.

Work-In-Hand

Work-in-hand is the unexecuted portion of work that has been contractually awarded to us for construction. It includes an estimate of the revenue to be generated from maintenance contracts during the shorter of (a) 12 months, or (b) the remaining life of the contract.

Backlog and Active Backlog

Backlog means the total value of work, including work-in-hand, that has not yet been completed that (a) is assessed by us as having high certainty of being performed by us or our subsidiaries by either the existence of a contract or work order specifying job scope, value and timing, or (b) has been awarded to us or our subsidiaries, as evidenced by an executed binding or non-binding letter of intent or agreement, describing the general job scope, value and timing of such work, and with the finalization of a formal contract respecting such work currently assessed by us as being reasonably assured. Active backlog is the portion of backlog that is not work-in-hand (has not been contractually awarded to us). We provide no assurance that clients will not choose to defer or cancel their projects in the future.

<i>\$millions</i>	Dec. 31, 2014	Dec. 31, 2013
Work-in-hand	1,080.3	1,104.1
Active backlog	906.5	956.4
Backlog relating to continuing operations	1,986.8	2,060.5
Broda work-in-hand	nil	55.7
Broda active backlog	nil	nil
Consolidated backlog	1,986.8	2,116.2

Book-to-Bill Ratio

Book-to-bill ratio means the ratio of new projects added to backlog and increases in the scope of existing projects ("book") to revenue ("bill"), for continuing operations for a specified period of time (excluding backlog reductions for divestitures). A book-to-bill ratio of above 1 implies that backlog additions were more than revenue for the specified time period, while a ratio below 1 implies that revenue exceeded backlog additions for the period.

Working Capital

Working capital is current assets less current liabilities. The calculation of working capital is provided in the table below:

<i>\$millions</i>	Dec. 31, 2014	Dec. 31, 2013
Current assets	501.6	367.3
Current liabilities ⁽¹⁾	(447.2)	(282.4)
Working capital	54.4	84.9

Notes: (1) The 2010 convertible debentures are presented as a current liability of \$84.8 million as at December 31, 2014, whereas, they were presented as a non-current liability of \$81.9 million as at December 31, 2013. If the 2010 convertible debentures were excluded from working capital, adjusted December 31, 2014 working capital would have been \$139.2 million (December 31, 2013 - \$84.9 million).

EBITDA and EBT

During 2014, we revised our definition of EBITDA to exclude the impact of gains and losses on asset and investment dispositions. The update has not had a material impact on the calculation of EBITDA in either the current year or 2013 comparatives.

We define EBITDA as net earnings/loss from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, and gains/losses on asset and investment dispositions. This measure as reported by us may not be comparable to similar measures presented by other reporting issuers. We define EBT as earnings/loss from continuing operations before income taxes.

While EBITDA is a common financial measure widely used by investors to facilitate an “enterprise level” valuation of an entity, it does not have a standardized definition prescribed by IFRS, therefore other issuers may calculate EBITDA differently. The following is a reconciliation of net earnings to EBITDA and EBT for each of the periods presented in this MD&A in accordance with IFRS.

\$millions	Three months ended		Year ended	
	December 31		December 31	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Net earnings from continuing operations	1.2	3.4	7.1	4.6
Add: Income tax expense	1.2	0.6	4.1	2.0
EBT	2.4	4.0	11.2	6.6
Add: Depreciation and amortization ⁽²⁾	5.8	4.3	17.5	16.1
Finance costs	3.8	2.9	12.9	11.6
Loss (gain) on disposal of assets ⁽²⁾	nil	nil	0.1	(0.1)
EBITDA	12.0	11.2	41.7	34.2

Notes: (1) Amounts have been restated as a result of the reclassification of Broda to discontinued operations. See the “Discontinued Operations” subsection of “Results of Operations by Business Group” of this MD&A and Note 13 of our December 31, 2014 Audited Consolidated Annual Financial Statements.

(2) Depreciation and amortization and loss on disposal of assets excludes amounts related to discontinued operations.

EBITDA Margin

EBITDA margin is the percentage derived from dividing EBITDA by contract revenue.

Long-term Indebtedness

Long-term indebtedness is the gross value of our indebtedness. It is calculated as the sum of the contractual cash flow of long-term debt excluding interest (current and non-current portion of long-term debt, gross of deferred financing fees) and principal value of convertible debentures.

Indebtedness to Capitalization

Indebtedness to capitalization is a percentage metric we use to measure our financial leverage. It is calculated as long-term indebtedness by the sum of long-term indebtedness and total equity.

Net Long-Term Indebtedness to EBITDA

Net long-term indebtedness to EBITDA is a ratio used by us to measure our financial leverage. It is calculated as long-term indebtedness less cash and cash equivalents, and the result divided by EBITDA for the trailing twelve months.

FORWARD-LOOKING INFORMATION

Certain information contained in this MD&A may constitute forward-looking information. This information relates to future events or our future performance. All statements, other than statements of historical fact, may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. No assurance can be given that will prove to be correct and such information should not be unduly relied upon by investors as actual results may vary. This information speaks only as of the date of this MD&A and is expressly qualified, in its entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking information, pertaining to the following:

- Our capital expenditure program for 2015;
- Our objective to manage our capital resources so as to ensure that we have sufficient liquidity to pursue growth objectives, while maintaining a prudent amount of financial leverage;
- Our belief that we have sufficient capital resources and liquidity, and ability to generate ongoing cash flows to meet commitments, support operations, finance capital expenditures, support growth strategies and fund declared dividends;
- Those statements under the section entitled “Business Strategy”, including those relating to our focus on growing revenue and earnings through organic growth, expanded geographical presence, acquisitions, and our ability to achieve expectations pertaining to increasing our liquidity and reducing debt levels;
- Our outlook on the business including, without limitation, those statements in the section entitled “Outlook” relating to backlog execution, project mix and timing, earnings visibility, revenue, margin and the growth in oil sands maintenance projects;
- The Board’s confidence in our ability to generate sufficient operating cash flows to support management’s business plans, including its growth strategy, while providing a certain amount of income to shareholders;
- The Board’s intention to continue to pay a quarterly dividend;
- The expectation that any of our business groups will improve or maintain their business prospects or continue to grow their revenue, earnings, profitability and backlog in any manner whatsoever including, without limitation, through margin expansion, organic growth, new project awards or productivity efficiencies;
- Expectations regarding the ability of any of our business groups to add to or execute upon work-in-hand or active backlog;
- Expectations as to future general economic conditions and the impact those conditions may have on the company and our businesses including, without limitation, the discussion under the heading entitled “Outlook” pertaining to competition, government and institutional spending in Western Canada, the reaction of oil sands owners to the recent decrease in oil prices, margin expansion in certain of our business groups, and our ability to compete for projects;
- Expectations regarding the ability of counterparties with whom we invest cash and equivalents to meet their obligations; and
- Our projected use of cash resources.

With respect to forward-looking information listed above and contained in this MD&A, we have made assumptions regarding, among other things:

- The expected performance of the global and Canadian economies and the effects thereof on our businesses;
- The impact of competition on our businesses;
- The global demand for oil and natural gas, its impact on commodity prices and its related effect on capital investment projects in Western Canada; and
- Government policies.

Our actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth below:

- General global economic and business conditions including the effect, if any, of a slowdown in Western Canada and/or a slowdown in the United States;
- Fluctuations in the price of oil, natural gas and other commodities;
- Weak capital and/or credit markets;
- Fluctuations in currency and interest rates;
- Changes in laws and regulations;

- Limited geographical scope of operations;
- Timing of client's capital or maintenance projects;
- Dependence on the public sector;
- Competition and pricing pressures;
- Unexpected adjustments and cancellations of projects;
- Action or non-action of customers, suppliers and/or partners;
- Inadequate project execution;
- Unpredictable weather conditions;
- Erroneous or incorrect cost estimates;
- Adverse outcomes from current or pending litigation;
- Interruption of information technology systems; and
- Those other risk factors described in our most recent Annual Information Form.

The forward-looking information contained in this MD&A is made as of the date hereof and we undertake no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

[Additional Information](#)

Additional information regarding Stuart Olson, including our current Annual Information Form and other required securities filings, is available on our website at www.stuartolson.com and under Stuart Olson's SEDAR profile at www.sedar.com.

MANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements

The management of Stuart Olson Inc. is responsible for the preparation of the consolidated financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect management's best judgment.

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

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board fulfills its responsibility in this regard principally through its Audit Committee. The Audit Committee is comprised entirely of independent and financially literate Directors. The Audit Committee meets periodically with management, the internal auditors and the external auditors to review the consolidated financial statements, the management's discussion and analysis, auditing matters, financial reporting issues, the appropriateness of the accounting policies, significant estimates and judgments, to discuss the internal controls over financial reporting process and to oversee the discharge of responsibilities of the respective parties. The Audit Committee reports its findings to the Board of Directors for consideration when it approves the consolidated financial statements.

Deloitte LLP, whose report follows, were appointed as independent, external auditors by a vote of the Corporation's shareholders to audit the consolidated financial statements.

The Audit Committee has recommended, and the Board of Directors has approved the information contained in the consolidated financial statements.



David LeMay, MBA
President and Chief Executive Officer



Daryl E. Sands, CA
Executive Vice President Finance & Chief Financial Officer

March 10, 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stuart Olson Inc.:

We have audited the accompanying consolidated financial statements of Stuart Olson Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of (loss) earnings and comprehensive (loss) earnings, consolidated statements of changes in equity and consolidated statements of cash flow for the years then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 financial position of Stuart Olson Inc. as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Accountants
March 10, 2015
Edmonton, Canada

STUART OLSON INC.
Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Earnings
 For the years ended December 31, 2014 and 2013
 (in thousands of Canadian dollars, except share and per share amounts)

	Note	December 31, 2014	December 31, 2013 ⁽¹⁾
Contract revenue	7	\$ 1,306,259	\$ 1,051,834
Contract costs		1,190,600	943,054
Contract income		115,659	108,780
Other income	8	558	775
Finance income	9	394	246
Administrative costs		(92,530)	(91,624)
Finance costs	9	(12,866)	(11,576)
Earnings from continuing operations before tax		11,215	6,601
Income tax (expense) recovery			
Current income tax		(6,930)	(1,153)
Deferred income tax		2,860	(833)
	12	(4,070)	(1,986)
Net earnings from continuing operations		7,145	4,615
Net (loss) earnings from discontinued operations	13	(20,224)	530
Net (loss) earnings		(13,079)	5,145
Other comprehensive (loss) earnings			
Items that will not be reclassified to net (loss) earnings			
Defined benefit plan actuarial (loss) gain	15	(4,293)	6,097
Deferred tax recovery (expense) on other comprehensive (loss) earnings	12	1,095	(1,549)
		(3,198)	4,548
Total comprehensive (loss) earnings		\$ (16,277)	\$ 9,693
(Loss) earnings per share:			
Basic from continuing operations		\$ 0.29	\$ 0.19
Basic from discontinued operations		(0.81)	0.02
Basic (loss) earnings per share	16	\$ (0.52)	\$ 0.21
Diluted from continuing operations		\$ 0.28	\$ 0.19
Diluted from discontinued operations		(0.81)	0.02
Diluted (loss) earnings per share	16	\$ (0.53)	\$ 0.21
Weighted average common shares:			
Basic	16	24,947,817	24,641,942
Diluted from continuing operations	16	25,088,783	24,715,655
Diluted from discontinued operations	16	24,947,817	24,715,655

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13.

See accompanying notes to the consolidated financial statements.

STUART OLSON INC.
Consolidated Statements of Financial Position
 As at December 31, 2014 and December 31, 2013
 (in thousands of Canadian dollars)

	Note	December 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents	17	\$ 104,113	\$ 36,236
Trade and other receivables	18	336,996	262,836
Inventory		989	11,362
Prepaid expenses		2,912	2,426
Costs in excess of billings	19	54,819	48,455
Income taxes recoverable		1,734	5,470
Current portion of long-term receivable		55	75
Assets held-for-sale	14	-	436
		501,618	367,296
Service provider deposit	20	5,549	6,157
Long-term receivable		340	175
Deferred tax asset	12	27,163	13,881
Property and equipment	21	24,230	76,341
Goodwill	22	179,016	179,016
Intangible assets	23	45,695	51,810
		\$ 783,611	\$ 694,676
LIABILITIES			
Current liabilities			
Trade and other payables	24	\$ 264,196	\$ 190,363
Contract advances and unearned income	19	89,506	80,708
Current portion of provisions	25	2,616	3,987
Income taxes payable		5,686	4,823
Current portion of long-term debt	26	391	2,559
Current portion of convertible debentures	27	84,828	-
		447,223	282,440
Employee benefits	15(b)	6,341	3,639
Provisions	25	4,913	4,892
Long-term debt	26	817	50,335
Convertible debentures	27	70,932	81,855
Deferred tax liability	12	30,382	28,646
Share-based payments	28(f)	6,382	5,911
		566,990	457,718
EQUITY			
Share capital	29(a)	131,724	129,134
Preferred share reserve	29(c)	5,128	5,128
Convertible debentures	27	11,689	7,100
Share-based payment reserve	28(c)	9,341	8,594
Retained earnings		58,739	87,002
		216,621	236,958
		\$ 783,611	\$ 694,676

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:



Albrecht W.A. Bellstedt
 Chairperson



Rod Graham
 Director

STUART OLSON INC.
Consolidated Statements of Changes in Equity
 For the years ended December 31, 2014 and 2013
 (in thousands of Canadian dollars)

	Note	Share Capital	Preferred Share Reserve	Convertible Debentures	Share-Based Payment Reserve ⁽¹⁾	Retained Earnings ⁽¹⁾	Total Equity
Balance at December 31, 2013		\$ 129,134	\$ 5,128	\$ 7,100	\$ 8,594	\$ 87,002	\$ 236,958
Net loss						(13,079)	(13,079)
Other comprehensive loss:							
Defined benefit plan actuarial loss, net of tax						(3,198)	(3,198)
Total comprehensive loss						(16,277)	(16,277)
<i>Transactions recorded directly to equity</i>							
Issued during the year	27			4,589			4,589
Common shares issued under stock option plan	29(a), 28(c)	1,234			747		1,981
Dividends	29(a, b)	1,356				(11,986)	(10,630)
Balance at December 31, 2014		\$ 131,724	\$ 5,128	\$ 11,689	\$ 9,341	\$ 58,739	\$ 216,621
Balance at December 31, 2012							
		\$ 126,602	\$ 5,128	\$ 7,100	\$ 7,171	\$ 89,149	\$ 235,150
Net earnings						5,145	5,145
Other comprehensive earnings:							
Defined benefit plan actuarial gain, net of tax						4,548	4,548
Total comprehensive earnings						9,693	9,693
<i>Transactions recorded directly to equity</i>							
Common shares issued under stock option plan	29(a), 28(c)	894			1,423		2,317
Dividends	29(a, b)	1,638				(11,840)	(10,202)
Balance at December 31, 2013		\$ 129,134	\$ 5,128	\$ 7,100	\$ 8,594	\$ 87,002	\$ 236,958

⁽¹⁾ This table includes both continuing and discontinued operations.
 See accompanying notes to the consolidated financial statements.

STUART OLSON INC.
Consolidated Statements of Cash Flow
 For the years ended December 31, 2014 and 2013
 (in thousands of Canadian dollars)

	Note	December 31, 2014 ⁽¹⁾	December 31, 2013 ⁽¹⁾
OPERATING ACTIVITIES			
Net (loss) earnings		\$ (13,079)	\$ 5,145
Depreciation and amortization	10	19,498	22,507
Impairment loss on property and equipment	21	2,596	-
Loss (gain) on disposal of assets		2,226	(56)
Loss on disposal of discontinued operation, net of tax	13	16,842	-
Share-based compensation expense	28(g)	3,527	5,721
Income tax (recovery) expense	12,13	(141)	1,893
Finance costs	9, 13	13,051	11,576
Contributions to employee benefits		(1,591)	(1,083)
Payment of share-based payment liability		(1,611)	(1,340)
Change in provisions	25	(1,350)	(2,020)
Change in non-cash working capital balances	30	(4,871)	(7,011)
Cash generated in operating activities		35,097	35,332
Interest paid		(8,962)	(8,239)
Income taxes (paid) received		(2,948)	1,645
Net cash generated in operating activities		23,187	28,738
INVESTING ACTIVITIES			
Additions to long-term receivable		(145)	25
Proceeds on disposal of assets		39,993	589
Additions to intangible assets	23	(1,558)	(1,096)
Additions to property and equipment		(8,312)	(9,597)
Net cash generated (used) in investing activities		29,978	(10,079)
FINANCING ACTIVITIES			
Change in service provider deposit	20	608	(2,149)
Proceeds of long-term debt	26	417,500	294,500
Repayment of long-term debt	26	(470,289)	(298,998)
Issuance of convertible debenture	27	76,623	-
Issuance of common shares		869	616
Dividend paid	29(b)	(10,599)	(10,166)
Net cash generated (used) in financing activities		14,712	(16,197)
Increase in cash and cash equivalents during the year		67,877	2,462
Cash and cash equivalents, beginning of year		36,236	33,774
Cash and cash equivalents, end of year		\$ 104,113	\$ 36,236

⁽¹⁾ This table includes both continuing and discontinued operations.
 See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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

1. REPORTING ENTITY

Stuart Olson Inc., formerly The Churchill Corporation, changed its name and was rebranded on May 22, 2014. The entity was incorporated on August 31, 1981 in Canada under the Companies Act of Alberta and was continued under the Business Corporations Act (Alberta) on July 30, 1985. The principal activities of Stuart Olson Inc. and its subsidiaries (collectively, the "Corporation") are to provide building construction, commercial electrical and data systems contracting, industrial insulation contracting, industrial electrical and instrumentation contracting, and related services within Canada.

The Corporation's head office and its principal address is #600, 4820 Richard Road S.W., Calgary, Alberta, Canada, T3E 6L1. The registered and records office of the Corporation is located at #3700, 400 – 3rd Avenue, S.W., Calgary, Alberta, Canada, T2P 4H2.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were approved by the Corporation's Board of Directors on March 10, 2015.

(b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. Unless otherwise indicated all financial information presented has been rounded to the nearest thousand.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- Financial instruments at fair value through profit or loss measured at fair value;
- Available-for-sale financial assets are measured at fair value; and
- Liabilities for cash-settled share-based payment arrangements are measured at fair value.

These consolidated financial statements were prepared on a going concern basis.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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

Uncertainty is inherent in estimating the cost of completing construction projects, percentage of revenue earned, the estimated useful life and residual value of property and equipment and corresponding depreciation rates, the useful life of intangible assets and corresponding amortization rates, allowances for doubtful accounts receivable, deferred income taxes, employee benefits, provision for warranty work and legal contingencies, valuation of share-based payments and the recoverable amount of intangible assets including goodwill, and other financial instruments. The impact on the consolidated financial statements of future changes in such estimates could be material within the next financial year.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are related to:

- Convertible debentures – judgments applied to determine the classification of debt and equity components of convertible debentures (Note 27); judgments applied in the selection of comparable marketable debentures used in the calculation of the fair value of the liability component of convertible debentures (Note 31(b)); and
- Income taxes – judgments applied to determine the likelihood of future taxable profits that will be sufficient to permit the recovery of deferred income tax assets (Note 12); judgments exercised in the assessment of continually changing tax interpretations, regulations, and legislations.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments within the next financial year are related to:

- Revenue recognition – estimates used to determine percentage of completion for construction contracts, specifically related to estimated costs to complete included in the various construction projects (Note 7). In addition, estimates are used to determine variations, claims and incentives included in contract values.
- Estimates used to determine costs in excess of billings and contract advances (Note 19)
- Estimates used to determine allowance for doubtful accounts (Note 18 and 31(c)(i))
- Measurement of defined benefit pension obligations (Note 15)
- Property and equipment – estimates related to the useful lives and residual values of assets (Note 21)
- Estimates in impairment of property and equipment, goodwill, and intangible assets (Note 21, 22 and 23)
- Provisions – estimates associated with amounts and timing (Note 25)
- Assumptions used in share-based payment arrangements (Note 28)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and entities controlled by the Corporation (its subsidiaries). Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All subsidiary companies are wholly owned and inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. The Corporation recognizes the assets, liabilities, revenues, and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses. Accounting policies have been applied consistently by the subsidiaries of the Corporation.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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

(i) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Corporation, liabilities incurred by the Corporation to the former owners of the acquiree and the equity interests issued or cash paid by the Corporation in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred, unless related to issuance of debt or equity.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes*, and IAS 19, *Employee Benefits*, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Corporation entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment*, at the acquisition date; and
- Assets that are classified as held-for-sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

The Corporation measures goodwill as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests, and the fair value of the acquirer's previously held interest in the acquiree, if any, over the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

(ii) Joint arrangements

The classification of joint arrangements is determined based on the rights and obligations of parties involved by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable IFRSs.

The Corporation's existing joint arrangements have been classified as joint operations.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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

(b) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues or incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. Operating segments are identified on the basis that internal reports about components of the Corporation are regularly reviewed by the Executive Management Team acting as the key decision maker in order to allocate resources to the segments and to assess their performance, and for which discrete financial information is available.

(c) Revenue recognition

(i) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract at the end of the reporting period. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of completing the contract. The stage of completion may also be assessed by reference to survey of work performed. Where there is uncertainty that the economic benefits associated with the contract will flow to the Corporation or where the total contract costs cannot be identified and measured, revenue is recognized only to the extent of contract costs incurred where it is probable those costs will be recoverable.

During the very early stages of significant multi-year contracts, the outcome of the contract cannot always be estimated reliably. In those circumstances where the outcome cannot be reliably estimated, contract revenue is recognized only to the extent contract costs are incurred and expected to be recoverable until such time that the outcome of the contract can be reliably estimated.

Contract costs include costs that relate directly to a specific contract, costs that are attributable to contract activity in general and can be allocated to individual contracts, and such other costs as are specifically chargeable to the customer under the terms of the contract. Contract costs exclude general administration costs (unless reimbursement is specified in the construction contract), selling costs, and research and development costs (unless reimbursement is specified in the construction contract). Contract costs are recognized as expenses in the period in which they are incurred.

Where current estimates indicate that total contract costs will exceed total contract revenue, the full amount of the expected loss is recognized immediately in contract costs.

(ii) Service contracts

Revenue from services rendered where the final outcome of the contract can be estimated reliably is recognized in profit or loss in proportion to the stage of completion of the contract at the reporting date. The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. Revenue from time and material contracts where the work scope is not definitive is recognized (at the contractual rates) as labour hours and direct expenses are incurred.

(iii) Sale of goods

The Corporation recognizes revenue from the sale of materials that are fabricated to customer specifications under specifically negotiated contracts.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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

(d) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of assets, classified by their nature as financial assets, at fair value through profit or loss. Interest income is recognized using the effective interest method as it accrues.

Finance costs comprise interest expense on borrowings, the unwinding of the discount on any provisions, changes in the fair value of financial assets classified as fair value through profit or loss and impairment losses recognized on financial assets.

(e) Income taxes

Income tax expense is comprised of current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that it relates to assets acquired and liabilities assumed in a business combination or items recognized directly in equity or other comprehensive (loss) earnings.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to tax payable in respect of previous years.

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred tax is recognized on any temporary difference between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive earnings (loss) or in equity depending on the item to which the adjustment relates.

Deferred tax is recognized on temporary differences arising from investments in subsidiaries, and interests in joint arrangements, except in the case where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or the initial recognition of other assets and liabilities in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting net earnings nor taxable earnings.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis or the tax assets and liabilities will be realized simultaneously.

The Corporation recognizes income tax benefits or liabilities related to uncertain tax positions to the extent they are more likely than not to be realized or settled.

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(f) Employee benefits

(i) Short-term employee benefits

The Corporation has an Employee Share Purchase Plan (ESPP). The Corporation contributes to the plan based on the amount of employee contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

Short-term compensation includes an annual employee cash bonus. A liability is recognized for the amount expected to be paid, under short-term cash bonuses or profit-sharing plans, if the Corporation believes it may have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Post-employment benefits

The Corporation has a Registered Retirement Savings Plan (RRSP). The Corporation contributes to the plan based on the amount of employee contributions. Similar to the ESPP, the related obligation of RRSPs are measured on an undiscounted basis and are expensed as the related services are provided.

The Corporation maintains two non-contributory defined benefit pension plans (DB) that cover salaried employees for two of the operating entities. Annual employer contributions to the DB, which are actuarially determined by an independent actuary, are made on the basis of being not less than the minimum amounts required by provincial pension supervisory authorities.

Pension costs are actuarially determined using the projected unit credit method and management's best estimate of salary escalation and retirement age of employees. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any recognized past service costs and the fair value of any plan assets are deducted. The discount rate used to establish the pension obligation is based on AA-rated corporate bond yields at the measurement date. When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan within the Corporation. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

The pension deficit or surplus is adjusted for any material changes in underlying assumptions. The Corporation recognizes all actuarial gains and losses arising from the defined benefit plans in other comprehensive (loss) earnings in the period in which they occur.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognized in profit or loss on a straight-line basis over the average service period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

Unlike the defined benefit plan, there is no obligation recorded for the defined contribution plans. The contributions made by the Corporation are measured on an undiscounted basis and are expensed as the related services are provided.

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(iii) Share-based payments

The grant date fair value of share-based payment awards, or stock options, granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The fair value of the amount payable to employees and directors in respect of Medium Term Incentive Plans (MTIPs) and Deferred Share Units (DSUs), for which the participants are eligible to receive an equivalent cash value of the common shares at a future date, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees provide the related service and directors become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as compensation expense in profit or loss. Information about vesting conditions for share-based payments is disclosed in Note 28.

(g) Earnings per share

The Corporation presents basic and diluted earnings per share (EPS) for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to the common shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the period, adjusted for the Corporation's own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to the common shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential common shares, including share options granted to employees and directors and shares related to convertible debentures, assuming that all of the debenture holders converted as allowed.

The average market value of the Corporation's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

(h) Financial instruments

Financial assets and liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Corporation becomes a party to the contractual provisions of the financial instrument or derivative contract. Financial instruments are required to be initially measured at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

(i) Financial assets

Based on their nature, the Corporation has the following classifications for its non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets. Loans and receivables are initially recognized on the date they originated. All other classifications of financial assets are recognized on the trade date at which the Corporation becomes party to the contractual provisions of the instrument.

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Derivative instruments are recorded on the consolidated statements of financial position at fair value with both realized and unrealized changes in fair value recognized immediately in other income in the consolidated statements of (loss) earnings. As at December 31, 2014, the Corporation did not have any outstanding financial derivatives.

Financial assets are derecognized when the contractual cash flows from the asset expire or when the Corporation transfers the right to receive the contractual cash flows of the asset in a transaction whereby all risks and rewards of the financial asset are transferred. Any retained interest in the financial asset transferred is recognized as a separate financial asset or liability.

Financial assets and liabilities are offset and presented net in the statements of financial position only when a legal right of offset exists and the Corporation intends to settle the transaction on a net basis or realize the asset and the liability simultaneously.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are classified as held for trading if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy and have been acquired principally for the purpose of selling in the near term. A financial asset is classified at fair value through profit or loss if it is a derivative that is not designated and effective as a hedging instrument. Financial assets classified as held for trading or designated at fair value through profit or loss are measured at fair value with changes recognized in profit or loss.

Transaction costs associated with assets classified as fair value through profit or loss are recognized as incurred through profit or loss.

Held-to-maturity financial assets

Financial assets are classified as held-to-maturity if the Corporation has the positive intent and the ability to hold the asset to maturity. Held-to-maturity financial assets are initially recognized at fair value plus any transaction costs directly attributable to the asset. Held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest method less any impairment losses. Effective interest method is defined as the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The sale or reclassification of more than an insignificant amount of held-to-maturity investments prior to maturity will result in the held-to-maturity portfolio being considered tainted and result in the reclassification of all held-to-maturity investments as available-for-sale. Furthermore, the Corporation will be prevented from classifying financial assets as held-to-maturity for the current and following two financial years.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, bank balances and short-term liquid investments with original maturities of three months or less.

Loans and receivables

Financial assets with fixed or determinable payments that are not derivatives and are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus any transaction costs directly attributable to the asset. Loans and receivables are subsequently measured at amortized costs using the effective interest method, less any impairment losses. Loans and receivables are generally comprised of trade and other receivables, and cash and cash equivalents.

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Available-for-sale financial assets

Available-for-sale financial assets represent those non-derivative financial assets that are designated as available-for-sale, or are not classified as loans and receivables or held-to-maturity investment, are not held-for-trading, and are not designated as fair value through profit or loss on initial recognition. Available-for-sale financial assets are initially measured at fair value plus any transaction costs directly attributable to the asset. Subsequent fair value gains or losses are recognized in other comprehensive (loss) earnings, except for impairment. For interest bearing available-for-sale financial assets, interest calculated using the effective interest method and any foreign exchange gains and losses on monetary available-for-sale financial assets are recognized in profit or loss. Available-for-sale financial assets include service provider deposits.

(ii) Financial liabilities

The Corporation has the following non-derivative financial liabilities: trade and other payables, current and long-term debt and convertible debentures. The Corporation initially recognizes debt securities issued at the date they originate. All other financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognized at fair value plus any 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. Financial liabilities are derecognized when their contractual obligations are discharged, cancelled or have expired.

The Corporation has the following financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Service provider deposit	Available-for-sale	Fair value
Current and long-term receivable	Loans and receivables	Amortized cost
Financial liabilities:		
Trade and other payables	Other liabilities	Amortized cost
Current and long-term debt	Other liabilities	Amortized cost
Convertible debentures - debt component, including current portion	Other liabilities	Amortized cost

(iii) Share capital

Common shares

Common shares are classified as equity. Transaction costs that are incremental and directly attributable to the issue of common shares are recognized as a deduction from equity net of any tax effects.

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Dividend reinvestment plan (DRIP)

When dividends are declared during a period, the DRIP allows eligible shareholders to direct cash dividends payable on common shares into additional common shares. The portion of shares related to the DRIP plan, as determined by the share transfer agent, is calculated using the dividend per share for all DRIP shares divided by 95% of the weighted average closing share price for the 10 days preceding the dividend payment date. This value is recorded as a payable in that period with the offset recorded to retained earnings. Once the dividend is paid, the amount of DRIP shares issued is recorded as an increase to share capital with a decrease to the dividend payable.

(iv) Compound financial instruments

Compound financial instruments issued by the Corporation comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, losses and gains relating to the financial liability component are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

(i) Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is determined on a first in, first out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

For the year ended December 31, 2013 and nine month period ended September 30, 2014, the Corporation produced ballast through rock crushing services undertaken by Broda Construction Inc. (Broda), a former subsidiary of the Corporation that was sold on September 1, 2014 (Note 13). Ballast inventory is measured using the lower of cost of production, consisting primarily of equipment costs and labour, and net realizable value. The cost of ballast inventory did not include profit margins or non-attributable overheads. During the year, the Corporation expensed \$nil (2013 - \$7,311) of inventory through contract costs.

(j) Costs in excess of billings, contract advances, and unearned income

Costs in excess of billings represent unbilled amounts expected to be collected from customers for contract work performed to date. The amount is measured at cost plus profit recognized to date less progress billings and recognized losses. Costs include all expenditures directly related to specific projects. Costs in excess of billings are presented as a current asset in the consolidated statements of financial position for all contracts in which costs incurred plus recognized profits exceeds the progress billings and the amounts are expected to be billed and recovered within 12 months.

If progress billings exceed costs incurred plus recognized profits, the difference represents amounts collected in advance for contract work yet to be performed and is presented as contract advances and unearned income in the statements of financial position.

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(k) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets are also capitalized as part of property and equipment.

The Corporation recognizes major long-term component spare parts as property and equipment when the parts and equipment are significant and are expected to be used over a period of time greater than a year, or when the part can only be used in connection with an item of property and equipment.

Borrowing costs that are directly attributable to the acquisition and construction or production of a qualifying asset form part of the costs of the asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Corporation and its cost can be reliably measured. The carrying amount of the part replaced is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss when incurred.

(iii) Depreciation

Depreciation is calculated based on the cost of an asset (or deemed cost) less its residual value. Depreciation is recognized for each significant component of an item of property and equipment.

Depreciation is recognized in the statements of (loss) earnings on a straight-line basis over the estimated useful life of each asset. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives, unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term. The method of depreciation has been selected based on the expected pattern of consumption of the economic benefits of the asset.

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The estimated useful lives are as follows:

Asset	Basis	Useful Life
Land improvements	Straight line	30 years
Buildings and improvements	Straight line	10 to 25 years
Leasehold improvements	Straight line	Lesser of estimated useful life or lease term
Construction equipment	Straight line	5 to 20 years
Automotive equipment	Straight line	5 years
Office furniture and equipment	Straight line	3 to 5 years
Computer hardware	Straight line	1 to 3 years
Equipment components	Straight line	1.5 to 3 years

Depreciation commences when the asset is available for use and ceases on the earliest of when the asset is derecognized or classified as held for sale. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted where appropriate.

(l) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination. Goodwill is not amortized and is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

(m) Intangible assets

Intangible assets include Enterprise Resource Planning (ERP) assets, backlog and agency contracts, customer relationships, trade names and computer software. These intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is calculated using the cost of the asset. Amortization commences once the asset is available for use and is recognized in profit or loss on a straight-line basis over the estimated useful life. The method of amortization has been selected based on the expected pattern of consumption of the economic benefits of the asset. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted where appropriate.

Asset	Basis	Useful Life
ERP	Straight line	12 years
Backlog and agency contracts	As related revenue is earned	1 to 3 years
Customer relationships	Straight line	5 to 15 years
Tradenames	Straight line	5 to 15 years
Computer software	Straight line	1 to 3 years

(n) Impairment

(i) Financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event will have a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not otherwise consider, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security classified as available-for-sale, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

The Corporation considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Corporation uses historical trends of probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets for which separate processes apply, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have an indefinite useful life or intangible assets that are not yet available for use, the recoverable amount is estimated each year in the fourth quarter.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 (CGU). For the purpose of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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 or 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 amounts of the other assets in the CGUs on a pro rata basis.

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An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Assets held-for-sale and discontinued operations

Assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as held-for-sale. This criterion is considered to be met when the assets are available for immediate sale in their present condition and the sale is highly probable. Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Corporation's accounting policies. Thereafter generally the assets, or disposal groups, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss, unless sold for more than carrying value.

Individual non-current assets or disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held-for-sale. The assets or disposal groups must meet the following criteria: the assets or disposal groups represent a major line of business or geographical area of operations, and the assets or disposal groups are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or the assets or disposal groups are a subsidiary acquired solely for the purpose of resale. The results of discontinued operations are shown separately in the consolidated statements of (loss) earnings, comprehensive (loss) earnings and cash flows, and comparative figures are restated.

(p) Provisions

Provisions are recognized when the Corporation has a present obligation as a result of a past event, it is probable that the Corporation will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties that surround the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, the carrying amount reflects the present value of that cash flow.

A provision for onerous contracts is recognized when the expected benefit from a contract is lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Impairment losses on assets associated with the onerous contract are recognized prior to the provision being established.

The Corporation has several classes of provisions including:

(i) Warranties

Provisions for the expected cost of construction warranty obligations under construction contracts are recognized upon completion or substantial performance under the construction contract and represent the best estimate of the expenditure required to settle the Corporation's obligation.

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(ii) Restructuring

Restructuring provisions relate to both ongoing operations and acquisitions and are accrued when the Corporation demonstrates its commitment to implement a detailed restructuring plan. The amounts provided represent management's best estimate of the costs for restructuring.

(iii) Claims and disputes

Provisions related to claims and disputes arising on contracts of the Corporation are included in this category. The timing and measurement of the related cash flows are by nature uncertain and the amounts recorded reflect the best estimate of the expenditure required to settle the obligations.

(iv) Subcontractor default

The Corporation maintains subcontractor default insurance, which provides general contractors with comprehensive coverage in respect of subcontractor default on projects. The liabilities on the consolidated statements of financial position relate to management's best estimate of exposures and costs associated with prior or existing subcontractor performance and the risk of potential default. Management conducts a thorough review of the liability every reporting period and takes into consideration the Corporation's experience to date with those subcontractors that are enrolled in the program and the changes to factors that tend to affect the construction sector. The current portion of the subcontractor default liability represents the risk related to payments not covered by the insurance deductible.

(q) Leases

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value at the inception of the lease and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in the consolidated statements of financial position as long term debt.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

All other leases are operating leases, whereby the leased assets are not recognized in the Corporation's statements of financial position. Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(r) Other comprehensive (loss) earnings and retained earnings

The Corporation applies the standard for reporting and displaying other comprehensive (loss) earnings, defined as revenue, expenses and gains and losses which, in accordance with primary sources of IFRS, are recognized in comprehensive (loss) earnings but excluded from net (loss) earnings. Items that would be reclassified into profit or loss in the future, if certain conditions are met, are presented separately.

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4. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

(a) IFRS 15 – Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly issued IFRS 15, which supersedes IAS 11 – *Construction Contracts* and IAS 18 – *Revenue*, and related interpretations. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Corporation is currently evaluating the impact of this standard to its consolidated financial statements.

(b) IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements. IFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

5. SEGMENTS

The Corporation operates as a construction and maintenance services provider, primarily in Western Canada. The Corporation divides its operations into four reporting segments and reports its results under the categories of: Buildings Group (formerly General Contracting), Industrial Group (formerly Industrial Services), Commercial Systems Group and Corporate Group (formerly Corporate and Other). The accounting policies and practices for each of the segments are the same as those described in Note 3. Segment capital expenditures are the total cost incurred during the year to acquire property and equipment and intangible assets.

Buildings Group – The Buildings Group consists of Stuart Olson Buildings Ltd. (previously Stuart Olson Dominion Construction Ltd.). It is headquartered in Calgary, Alberta and operates through branch offices in Western Canada and Ontario. Projects undertaken by the Buildings Group include the construction, expansion or renovation of buildings for private and public sector clients in the commercial, light industrial and institutional sectors.

Industrial Group – The Industrial Group consists of Stuart Olson Industrial Inc. (previously Churchill Services Group Inc.). It operates under the endorsed brands of Laird Electric Inc. (Laird), Fuller Austin Inc. (Fuller Austin), Lakehead Insulation Inc. (Lakehead Insulation), Sigma Power Services Inc. (Sigma Power), Northern Industrial Insulation Contractors Inc. (Northern) and Stuart Olson Industrial Constructors Inc. It serves clients in a wide range of industrial sectors including oil and gas, petrochemical, refinery, mining, pulp and paper and power generation industries. Construction services provided by the Industrial Group include mechanical, insulation installation, industrial metal siding and cladding, heating, ventilating and air conditioning (HVAC) manufacturing, asbestos, abatement, industrial electrical instrumentation and power line construction and maintenance services.

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Commercial Systems Group – The Commercial Systems Group operates under the Canem brand and provides its services throughout Western Canada. It designs, builds and installs a building's core electrical infrastructure. It also provides the services and systems that support information management, building systems integration, energy management, green data centres, security and risk management and lifecycle services.

Corporate Group – The Corporate Group includes corporate costs not allocated directly to another reporting segment and any miscellaneous investments. It provides strategic direction, operating advice, financing, infrastructure services and management of public company requirements to each of its reporting segments.

A significant customer is one that represents greater than 10% or more of contract revenue earned during the year. For the year ended December 31, 2014, the Corporation had revenue of \$147,630 from one significant customer of the Buildings Group (2013 – \$109,841 from one customer of the Buildings Group), and \$163,727 from one significant customer of the Industrial Group (2013 – no significant customer from the Industrial Group).

For the year ended December 31, 2014	Buildings Group	Industrial Group	Commercial Systems Group	Corporate Group	Intersegment Eliminations	Total
Contract revenue	\$ 693,653	\$ 407,781	\$ 242,275	\$ -	\$ (37,450)	\$ 1,306,259
EBITDA ⁽¹⁾	12,040	36,088	19,367	(24,722)	(1,101)	41,672
Depreciation and amortization	3,491	2,552	1,620	7,009	211	14,883
Impairment loss on property and equipment	2,596	-	-	-	-	2,596
Loss (gain) on sale of assets	65	76	(39)	10	-	112
Finance costs	-	55	-	12,811	-	12,866
Earnings (loss) from continuing operations before tax	\$ 5,888	\$ 33,405	\$ 17,786	\$ (44,552)	\$ (1,312)	\$ 11,215
Income tax expense						(4,070)
Net earnings from continuing operations						\$ 7,145
Goodwill and intangible assets	\$ 124,173	\$ 7,705	\$ 74,600	\$ 18,233	\$ -	\$ 224,711
Capital and intangible expenditures	\$ 670	\$ 1,448	\$ 1,904	\$ 3,043	\$ -	\$ 7,065
Total assets	\$ 408,180	\$ 141,161	\$ 132,762	\$ 435,308	\$ (333,800)	\$ 783,611
Total liabilities	\$ 292,293	\$ 45,848	\$ 56,451	\$ 190,982	\$ (18,584)	\$ 566,990

For the year ended December 31, 2013 ⁽²⁾	Buildings Group	Industrial Group	Commercial Systems Group	Corporate Group	Intersegment Eliminations	Total
Contract revenue	\$ 507,967	\$ 358,887	\$ 213,740	\$ -	\$ (28,760)	\$ 1,051,834
EBITDA ⁽¹⁾	7,255	26,017	19,282	(19,138)	813	34,229
Depreciation and amortization	3,855	2,463	1,618	7,937	211	16,084
Loss (gain) on sale of assets	21	(42)	(11)	-	-	(32)
Finance costs	134	53	-	11,389	-	11,576
Earnings (loss) from continuing operations before tax	\$ 3,245	\$ 23,543	\$ 17,675	\$ (38,464)	\$ 602	\$ 6,601
Income tax expense						(1,986)
Net earnings from continuing operations						\$ 4,615
Goodwill and intangible assets	\$ 126,165	\$ 7,822	\$ 77,404	\$ 19,435	\$ -	\$ 230,826
Capital and intangible expenditures	\$ 1,556	\$ 10,922	\$ 1,097	\$ 1,140	\$ -	\$ 14,715
Total assets	\$ 323,834	\$ 172,246	\$ 126,957	\$ 404,853	\$ (333,214)	\$ 694,676
Total liabilities	\$ 199,864	\$ 61,027	\$ 55,025	\$ 160,724	\$ (18,922)	\$ 457,718

⁽¹⁾ The Corporation defines EBITDA as net earnings/loss from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, and gains/losses on asset and investment dispositions. While EBITDA is a common financial measure widely used by investors to facilitate an "enterprise level" valuation of an entity, it does not have a standardized definition prescribed by IFRS, and therefore other issuers may calculate it differently.

⁽²⁾ Certain comparative amounts have been restated, refer to Note 13. Broda Construction Inc. previously operated under the Industrial Group.

Notes to the Consolidated Financial Statements

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6. JOINT ARRANGEMENTS

The Corporation and its subsidiaries have the following significant interests in joint operations:

Name of Joint Operation	Principal Activity	Place of Incorporation or Operation	Proportion of Ownership Interest
Acciona Stuart Olson Joint Venture	Building Construction	British Columbia	50%
Kwanlin Dun First Nation - Yukon Corrections Institution JV	Building Construction	Yukon	90%
Kwanlin Dun First Nation - Whitehorse Cultural Centre JV	Building Construction	Yukon	51%
KDM-SOD Joint Venture Inc.	Building Construction	Saskatchewan	49%

During the year ended December 31, 2014, the Stuart Olson/Con-Forte JV Ltd. joint operation was dissolved.

These consolidated financial statements include the Corporation's share of assets, liabilities, revenue, expenses, net income and cash flow of the joint operations as follows:

	December 31, 2014	December 31, 2013
Current assets	\$ 2,867	\$ 3,177
Current liabilities	234	563

	December 31, 2014	December 31, 2013
Contract income	\$ 299	\$ 2,447
Contract costs and expenses	232	620

	December 31, 2014	December 31, 2013
Cash flow used in operating activities	\$ (250)	\$ (168)

7. REVENUE

	December 31, 2014	December 31, 2013 ⁽¹⁾
Construction contract revenue	\$ 1,184,594	\$ 844,949
Service contract revenue	120,768	205,447
Sale of goods	897	1,438
Total revenue	\$ 1,306,259	\$ 1,051,834

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13.

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8. OTHER INCOME

	December 31, 2014	December 31, 2013 ⁽¹⁾
(Loss) gain on sale of assets	\$ (112)	\$ 32
Discounts	52	53
Rebates, interest refunds and other	618	690
Other income	\$ 558	\$ 775

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13.

9. FINANCE INCOME AND COSTS

The finance income and costs recognized in profit or loss consists of the following:

	December 31, 2014	December 31, 2013 ⁽¹⁾
Finance income on cash and cash equivalents	394	243
Other	-	3
Finance income	\$ 394	\$ 246
Finance costs on revolving credit facility	\$ 2,031	\$ 2,607
Other finance costs	202	457
Amortization of deferred financing fees on revolving credit facility	689	633
Finance costs on convertible debentures	6,544	5,175
Accretion on convertible debentures	2,564	2,082
Amortization of deferred financing fees on convertible debentures	836	622
Finance costs	\$ 12,866	\$ 11,576

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13.

The above finance income and finance costs include the following interest income and expenses in respect of assets and liabilities not at fair value through profit or loss:

Total finance income on financial assets	\$ 394	\$ 246
Total finance costs on financial liabilities	\$ 8,777	\$ 8,239

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10. DEPRECIATION AND AMORTIZATION

	December 31, 2014 ⁽¹⁾	December 31, 2013 ⁽¹⁾
Depreciation of property and equipment	\$ 7,582	\$ 7,953
Amortization of intangible assets	7,301	8,131
Total depreciation and amortization expense	\$ 14,883	\$ 16,084

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13. Included in discontinued operations is \$4,615 (2013 - \$6,423) of depreciation and amortization.

Of the depreciation of property and equipment during the year ended December 31, 2014, \$3,435 (2013 - \$3,886) has been included in contract costs and the remainder in administrative costs in the consolidated statements of (loss) earnings. Amortization of intangible assets is included in administrative costs in the consolidated statements of (loss) earnings.

11. PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

	December 31, 2014	December 31, 2013 ⁽¹⁾
Short-term employee benefits	\$ 465,922	\$ 391,988
Employee share purchase plan expenses	3,167	3,143
Employee retirement matching contributions	3,433	2,724
Defined benefit and defined contribution pension plan expense	1,345	2,083
Equity-settled share-based payment transactions	1,112	1,701
Cash-settled share-based payment transactions	2,262	2,432
Total personnel expenses and employee benefits	\$ 477,241	\$ 404,071

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13.

Of the personnel expenses and employee benefits in the table above, \$425,754 was included in contract costs (2013 - \$355,299) and \$51,487 in administrative costs (2013 - \$48,772) for the year ended December 31, 2014. Short-term employee benefits consist primarily of salaries and bonuses.

Key management personnel consists of the Corporation's named executive officers. Their remuneration during the year was as follows:

	December 31, 2014	December 31, 2013
Short-term benefits	\$ 3,963	\$ 3,578
Share-based payments ⁽¹⁾	1,174	2,258
	\$ 5,137	\$ 5,836

⁽¹⁾ Share-based payments include equity-settled and cash-settled share-based payments.

The remuneration of key management is recommended to the Board for approval by the Human Resources and Compensation Committee of the Board of Directors (HRCC).

Notes to the Consolidated Financial Statements

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12. INCOME TAXES

Income tax recognized in the consolidated statements of (loss) earnings:

	December 31, 2014	December 31, 2013 ⁽¹⁾
Current income tax expense		
Current year	\$ (6,826)	\$ (625)
Adjustment relating to prior years	(104)	(528)
	(6,930)	(1,153)
Deferred income tax recovery (expense)		
Origination and reversal of temporary differences	3,109	(2,068)
Impact of changes in tax rates	(103)	551
Adjustment relating to prior years	(146)	684
	2,860	(833)
Income tax expense	\$ (4,070)	\$ (1,986)

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13.

Reconciliation of effective tax rate:

The Corporation's consolidated income tax expense differs from the provision computed at the statutory rates as follows:

	December 31, 2014	December 31, 2013 ⁽¹⁾
Net earnings from continuing operations before tax	\$ 11,215	\$ 6,601
Income tax at statutory rate of 25.3% (2013 - 25.5%)	(2,837)	(1,683)
Statutory and other rate differences	(103)	506
Non-deductible expenses	(951)	(802)
Non-taxable accounting income	59	7
Other	(238)	(14)
Income tax expense	\$ (4,070)	\$ (1,986)

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13.

The Corporation's statutory tax rate of 25.3% in 2014 (2013 – 25.5%) is the combined Canadian federal and provincial tax rates in the jurisdictions in which the Corporation operates. The rate decrease for 2014 is due to an increased proportion of the year's (loss) earnings in provinces with lower corporate tax rates.

Notes to the Consolidated Financial Statements

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The deferred tax assets and liabilities are comprised of the following:

	December 31, 2014	December 31, 2013
Deferred tax assets		
Tax loss carry forwards	\$ 18,202	\$ 6,362
Equipment and other assets	1,060	(3,371)
Intangible assets	23	10
Pension and other compensation	769	(47)
Unbilled work-in-progress and holdback receivables	5,441	8,340
Provisions	1,493	1,888
Other	175	699
	27,163	13,881
Deferred tax liabilities		
Tax loss carry forwards	1,757	3,676
Equipment and other assets	(121)	(4,543)
Intangible assets	(10,913)	(12,564)
Pension and other compensation	2,672	2,600
Unrecognized deductible temporary difference	(616)	(616)
Unbilled work-in-progress and holdback receivables	(21,612)	(17,446)
Provisions	428	641
Other	(1,977)	(394)
	(30,382)	(28,646)
Net deferred income tax liability	\$ (3,219)	\$ (14,765)

All deferred tax asset positions recognized by the Corporation are supported by either the reversal of existing taxable temporary differences or forecasted future taxable profits in excess of the deductible temporary difference. The Corporation has unrecognized non-capital loss carryforwards of \$1,382 (2013 – \$1,394) for which no deferred income tax asset could be recognized, which remain available to reduce future taxable income.

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A continuity of the net deferred tax asset (liability) is as follows:

	Asset (liability) January 1, 2014	Recovery (expense) recognized in profit or loss	Recovery (expense) recognized in OCI	Liability disposed of in Broda sale	Recovery (expense) recognized in equity	Asset (liability) December 31, 2014
2014						
Tax loss carry forwards	\$ 10,038	\$ 9,921	\$ -	\$ -	\$ -	\$ 19,959
Equipment and other assets	(7,914)	4,732	-	4,121	-	939
Intangible assets	(12,554)	1,664	-	-	-	(10,890)
Pension and other compensation	2,553	(207)	1,095	-	-	3,441
Unrecognized deductible temporary difference	(616)	-	-	-	-	(616)
Unbilled work-in-progress and holdback receivables	(9,106)	(7,100)	-	35	-	(16,171)
Provisions	2,529	(608)	-	-	-	1,921
Other	305	(577)	-	-	(1,530)	(1,802)
	\$ (14,765)	\$ 7,825	\$ 1,095	\$ 4,156	\$ (1,530)	\$ (3,219)
Less: recognized in discontinued operations		(4,965)				
Recognized in continuing operations		\$ 2,860				

	Asset (liability) January 1, 2013	Recovery (expense) recognized in profit or loss	Recovery (expense) recognized in OCI	Liability disposed of in Broda sale	Recovery (expense) recognized in equity	Asset (liability) December 31, 2013
2013						
Tax loss carry forwards	\$ 8,830	\$ 1,208	\$ -	\$ -	\$ -	\$ 10,038
Equipment and other assets	(7,148)	(766)	-	-	-	(7,914)
Intangible assets	(14,011)	1,457	-	-	-	(12,554)
Pension and other compensation	3,647	455	(1,549)	-	-	2,553
Unrecognized deductible temporary difference	(620)	4	-	-	-	(616)
Unbilled work-in-progress and holdback receivables	(6,928)	(2,178)	-	-	-	(9,106)
Provisions	2,877	(348)	-	-	-	2,529
Other	(191)	496	-	-	-	305
	\$ (13,544)	\$ 328	\$ (1,549)	\$ -	\$ -	\$ (14,765)
Less: recognized in discontinued operations		(1,161)				
Recognized in continuing operations		\$ (833)				

The Corporation has accumulated net capital losses for income tax purposes of \$21,277 (2013 - \$nil) which may be carried forward indefinitely to reduce future capital gains. The value of these losses has not been recognized in these consolidated financial statements.

The Corporation has accumulated non-capital losses for income tax purposes of \$77,586 (2013 - \$37,554), which expire as follows:

Expiration of accumulated non-capital losses:	
2015	\$ 202
2026	200
2027	425
2028	227
2029	160
2031	6,972
2032	20,938
2033	8,213
2034	40,249
	\$ 77,586

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13. DISCONTINUED OPERATIONS

On September 1, 2014, the Corporation completed the sale of Broda Construction Inc. (Broda) to TriWest Capital Partners and certain members of the senior management team of Broda for gross cash proceeds of \$38,693. Broda operated under the Industrial Group segment. Details of the sale are as follows:

Gross proceeds on disposal	\$	38,693
Carrying value of Broda		(57,950)
Transaction costs		(922)
Loss on disposal before tax		(20,179)
Income tax recovery		3,337
Net loss on disposal of discontinued operations	\$	(16,842)

Net loss from discontinued operations reported in the consolidated statements of net (loss) earnings is as follows:

	December 31, 2014	December 31, 2013
Contract revenue	\$ 30,094	\$ 54,635
Contract costs	28,832	49,516
Contract income	1,262	5,119
Other (expense) income	(1,883)	43
Finance income	16	13
Administrative costs	(3,466)	(4,466)
Finance costs	(185)	-
(Loss) earnings from discontinued operations	(4,256)	709
Income tax recovery	874	93
Net loss on disposal of discontinued operations	(16,842)	(272)
Net (loss) earnings from discontinued operations	\$ (20,224)	\$ 530

Cash flows from discontinued operations reported in the consolidated statements of cash flows are as follows:

	December 31, 2014	December 31, 2013
Operating cash flows	\$ (3,521)	\$ 15,160
Investing cash flows	\$ (1,442)	\$ (6,758)
Financing cash flows	\$ 4,811	\$ (8,286)

As part of the purchase and sale agreement the financial records of Broda have been audited. Adjustments resulting from the audit have been made to the purchase price which affects the net loss on disposal of discontinued operations and the closing statement of financial position.

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14. ASSETS HELD-FOR-SALE

During the year ended December 31, 2013, the Corporation had an asset held-for-sale of \$436 that consisted of agricultural land. The asset no longer meets the criteria for an asset held-for-sale as at December 31, 2014 and has been reclassified as property and equipment (Note 21).

15. EMPLOYEE BENEFITS

(a) Short-term employee benefits

Contributions made by the Corporation during the year ended December 31, 2014 to the ESPP were \$3,167 (2013 - \$3,143) (Note 11).

(b) Post-employment benefits

Registered Retirement Savings Plan (RRSP)

Contributions made by the Corporation during the year ended December 31, 2014 to the RRSP were \$3,433 (2013 - \$2,724) (Note 11).

Defined Contribution Pension Plans (DC)

The total expense recognized in the consolidated statements of (loss) earnings and comprehensive (loss) earnings of \$447 (2013 - \$429) represents contributions paid to these plans by the Corporation at rates specified in the rules of the plans.

Defined Benefit Pension Plans (DB)

The Corporation maintains two non-contributory DBs that cover salaried employees for two of its operating entities. Annual employer contributions to the DB, determined by an independent actuary, meet minimum amounts required by provincial pension supervisory authorities. The benefits provided by the defined benefit provision of the pension plans are based on years of service and final average earnings of the employees who are members of the plans.

Future benefits:

	December 31, 2014	December 31, 2013
Wholly or partially funded defined benefit obligation	\$ 35,417	\$ 29,618
Fair value of plan assets	29,076	25,979
Recognized liability for defined benefit obligations	\$ 6,341	\$ 3,639

Fair market value of plan assets:

	December 31, 2014	December 31, 2013
Equity securities	\$ 11,412	\$ 10,667
Debt securities	17,664	15,312
	\$ 29,076	\$ 25,979

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Reconciliation of amounts in the financial statements:

	December 31, 2014	December 31, 2013
Accrued benefit obligation		
Balance, beginning of year	\$ 29,618	\$ 32,746
Employer current service cost	595	980
Employee contributions	107	158
Interest cost on the defined benefit obligation	1,388	1,269
Benefit payments	(1,815)	(1,281)
Actuarial loss (gain) due to experience adjustments	657	(58)
Actuarial loss due to changes in demographic assumptions	1,135	-
Actuarial loss (gain) due to changes in financial assumptions	3,732	(4,196)
Balance, end of year	\$ 35,417	\$ 29,618

	December 31, 2014	December 31, 2013
Fair value of plan assets		
Balance, beginning of year	\$ 25,979	\$ 21,926
Employer contributions	2,609	2,756
Employee contributions	107	159
Interest income on plan assets	1,242	864
Actuarial gain on plan assets, excluding interest income	1,231	1,843
Benefit payments	(1,815)	(1,281)
Administration costs	(277)	(288)
Balance, end of year	\$ 29,076	\$ 25,979

	December 31, 2014	December 31, 2013
Net pension liability	\$ 6,341	\$ 3,639
Funded status - deficit	\$ 6,341	\$ 3,639

For the year ended December 31, 2014, an amount of \$1,019 (2013 - \$1,673) was recorded in administrative costs in net (loss) earnings, and a loss of \$4,293 (2013 – gain of \$6,097), before tax, was recorded in other comprehensive (loss) earnings in relation to the DB plans. This loss relates to a decrease in the discount rates and a change in the market value of the assets, which are both as at December 31, 2014.

Actuarial assumptions:

	December 31, 2014	December 31, 2013
Discount rate on net benefit obligations	3.9%	4.7%
Rate of compensation increase	3.5%	3.5%
Inflation rate	2.3%	2.3%

The discount rate used to establish the pension obligation is based on AA-rated Canadian corporate bond yields at the measurement date. A change of 100 basis points in the discount rate at the reporting date would have increased or decreased the accrued benefit obligation by \$5,261 (2013 - \$4,416).

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16. EARNINGS PER SHARE

(a) Basic (loss) earnings per share

	December 31, 2014	December 31, 2013
Net earnings from continuing operations	\$ 7,145	\$ 4,615
Net (loss) earnings from discontinued operations	(20,224)	530
Net (loss) earnings (basic)	\$ (13,079)	\$ 5,145
Issued common shares at beginning of year	24,797,163	24,493,462
Effect of shares issued related to a dividend reinvestment plan (DRIP)	92,425	125,009
Effect of shares issued on exercise of stock options	58,229	23,471
Weighted average number of common shares for the year (basic)	24,947,817	24,641,942
Basic earnings per share, continuing operations	\$ 0.29	\$ 0.19
Basic earnings per share, discontinued operations	(0.81)	0.02
Basic (loss) earnings per share	\$ (0.52)	\$ 0.21

(b) Diluted (loss) earnings per share

Diluted earnings per share from continuing operations:

	December 31, 2014	December 31, 2013
Net earnings from continuing operations (diluted)	\$ 7,145	\$ 4,615
Weighted average number of common shares (basic)	24,947,817	24,641,942
Incremental shares - stock options	140,966	73,713
Weighted average number of common shares for the year (diluted), continuing operations	25,088,783	24,715,655
Diluted earnings per share, continuing operations	\$ 0.28	\$ 0.19

Diluted (loss) earnings per share from discontinued operations:

	December 31, 2014	December 31, 2013
Net (loss) earnings from discontinued operations (diluted)	\$ (20,224)	\$ 530
Weighted average number of common shares (basic)	24,947,817	24,641,942
Incremental shares - stock options	-	73,713
Weighted average number of common shares for the year (diluted), discontinued operations	24,947,817	24,715,655
Diluted (loss) earnings per share, discontinued operations	\$ (0.81)	\$ 0.02

For the year ended December 31, 2014, the number of options excluded from the diluted weighted average number of common shares calculation was \$908,167 (2013 – \$1,042,679), as their effect would have been anti-dilutive.

As the Corporation incurred a net loss from discontinued operations for the year ended December 31, 2014, the basic and diluted weighted average number of common shares and the resulting basic and diluted loss per share from discontinued operations are the same amount.

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There were no incremental shares related to the convertible debentures included in the weighted average calculation for the year ended December 31, 2014 and 2013, as the impact of the normalization of earnings (interest, accretion and amortization add-back) outweighed the effect of the related incremental shares and therefore the convertible debentures were anti-dilutive.

17. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance is comprised entirely of cash. Included in the cash and cash equivalents balance is \$2,574 (2013 - \$2,979) held in joint operations bank accounts.

18. TRADE AND OTHER RECEIVABLES

	December 31, 2014	December 31, 2013
Trade receivables	\$ 219,388	\$ 201,742
Construction holdbacks, due within one business cycle	115,313	62,123
Allowance for doubtful accounts (Note 31)	(2,140)	(3,224)
Other receivables	4,435	2,195
	\$ 336,996	\$ 262,836

The average credit period is 35 days for maintenance contracts and 43 days for significant construction contracts. Included in other receivables is the current portion of the service provider deposit (Note 20).

At December 31, 2014, holdbacks of \$115,313 (2013 - \$62,123) are recoverable within the normal operating cycle of the Corporation ranging from 30 days to three years, depending on the nature of services being provided. The range is dependent on the type and size of the project and duration of the work.

19. CONSTRUCTION AND NON-CONSTRUCTION CONTRACTS

Contracts in progress:

	December 31, 2014	December 31, 2013
Construction costs incurred plus recognized profits less recognized losses to date	\$ 4,617,699	\$ 4,514,572
Less: progress billings	(4,658,402)	(4,557,358)
Net over billings on construction contracts	(40,703)	(42,786)
Non-construction costs incurred plus recognized profits less recognized losses to date	\$ 159,114	\$ 307,355
Less: progress billings	(153,098)	(296,822)
Net under billings on non-construction contracts	6,016	10,533
Total net contract position	\$ (34,687)	\$ (32,253)

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Recognized and included in the consolidated statements of financial position:

	December 31, 2014	December 31, 2013
Costs in excess of billings - Construction contracts	\$ 48,667	\$ 37,918
Costs in excess of billings - Non-construction contracts	6,152	10,537
Total costs in excess of billings	54,819	48,455
Contract advances and unearned income - Construction contracts	\$ (89,370)	\$ (80,691)
Contract advances and unearned income - Non-construction contracts	(136)	(17)
Total contract advances and unearned income	(89,506)	(80,708)
Total net contract position	\$ (34,687)	\$ (32,253)

At December 31, 2014, retentions held by customers for contract work amounted to \$115,313 (2013 - \$62,123). Advances received from customers for contract work amounted to \$89,506 (2013 - \$80,708).

20. SERVICE PROVIDER DEPOSIT

Service provider deposit relates to the Buildings Group's Subguard program representing an agreement with Zurich Insurance Corporation (Zurich) that establishes a pre-funded deductible/co-pay insurance program.

Included in trade and other receivables in the statements of financial position is the current portion of the service provider deposit of \$1,206 (2013 - \$nil), to be received in the next 12 months. The remaining portion of \$5,549 (2013 - \$6,157) is classified as non-current in the consolidated statements of financial position at December 31, 2014. The total funds held by Zurich as at December 31, 2014 amounted to \$6,755 (2013 - \$6,157).

21. PROPERTY AND EQUIPMENT

During the year ended December 31, 2014, the Corporation reclassified \$436 of agricultural land from assets held-for-sale to property and equipment as the asset no longer met the criteria to be classified as held-for-sale (Note 14).

Included in construction and automotive equipment is \$1,467 (2013 - \$4,742) of assets relating to finance leases and \$404 (2013 - \$582) of accumulated depreciation, for a net carrying value of \$1,063 (2013 - \$4,160).

Included in office furniture and equipment is \$nil (2013 - \$61) of assets relating to finance leases and \$nil (2013 - \$55) of accumulated depreciation, for a net carrying value of \$nil (2013 - \$6).

Assets with a carrying value of \$1,063 (2013 - \$4,166) are pledged as security for the finance lease obligations disclosed in Note 26(c).

As part of the sale of Broda (Note 13) the Corporation disposed of assets related to Buildings and Improvements, Construction and Automotive Equipment, Computer Hardware and Office Furniture and Equipment with carrying values of \$290, \$41,292, \$470, \$2 and \$278, respectively.

During the year ended December 31, 2014, the Buildings Group recorded an impairment loss of \$2,596 related to Leasehold Improvements due to a branch office closure in Western Canada.

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	Land and Improvements	Buildings and Improvements	Leasehold Improvements	Construction and Automotive Equipment	Computer Hardware	Office Furniture and Equipment	Assets Under Construction	Total
2014								
Cost								
Balance as at December 31, 2013	\$ 301	\$ 3,238	\$ 18,629	\$ 98,776	\$ 6,112	\$ 5,454	\$ 552	\$ 133,062
Additions, including finance leases	-	-	977	5,819	310	157	1,464	8,727
Disposal	(171)	(197)	(5,529)	(73,197)	(473)	(853)	-	(80,420)
Reclassifications and transfers	436	-	582	-	-	938	(1,532)	424
Balance at December 31, 2014	\$ 566	\$ 3,041	\$ 14,659	\$ 31,398	\$ 5,949	\$ 5,696	\$ 484	\$ 61,793
Accumulated Depreciation and impairment losses								
Balance as at December 31, 2013	\$ -	\$ 1,550	\$ 6,025	\$ 40,768	\$ 5,183	\$ 3,195	\$ -	\$ 56,721
Depreciation expense	-	15	2,801	8,007	558	812	-	12,193
Disposal of assets	-	(78)	(5,680)	(27,433)	(471)	(285)	-	(33,947)
Impairment losses recognized in the year	-	-	2,596	-	-	-	-	2,596
Balance at December 31, 2014	\$ -	\$ 1,487	\$ 5,742	\$ 21,342	\$ 5,270	\$ 3,722	\$ -	\$ 37,563
Carrying amounts at December 31, 2014	\$ 566	\$ 1,554	\$ 8,917	\$ 10,056	\$ 679	\$ 1,974	\$ 484	\$ 24,230

	Land and Improvements	Buildings and Improvements	Leasehold Improvements	Construction and Automotive Equipment	Computer Hardware	Office Furniture and Equipment	Assets Under Construction	Total
2013								
Cost								
Balance as at December 31, 2012	\$ 301	\$ 3,216	\$ 13,847	\$ 91,724	\$ 6,193	\$ 4,492	\$ 3,318	\$ 123,091
Additions, including finance leases	-	127	2,358	9,617	446	1,004	67	13,619
Disposal	-	(105)	(124)	(2,565)	(533)	(153)	-	(3,480)
Reclassifications and transfers	-	-	2,548	-	6	111	(2,833)	(168)
Balance at December 31, 2013	\$ 301	\$ 3,238	\$ 18,629	\$ 98,776	\$ 6,112	\$ 5,454	\$ 552	\$ 133,062
Accumulated Depreciation and impairment losses								
Balance as at December 31, 2012	\$ -	\$ 1,533	\$ 3,543	\$ 32,782	\$ 4,989	\$ 2,463	\$ -	\$ 45,310
Depreciation expense	-	19	2,528	10,239	736	848	-	14,370
Disposal of assets	-	(2)	(46)	(2,253)	(533)	(116)	-	(2,950)
Acquisition	-	-	-	-	(9)	-	-	(9)
Balance at December 31, 2013	\$ -	\$ 1,550	\$ 6,025	\$ 40,768	\$ 5,183	\$ 3,195	\$ -	\$ 56,721
Carrying amounts at December 31, 2013	\$ 301	\$ 1,688	\$ 12,604	\$ 58,008	\$ 929	\$ 2,259	\$ 552	\$ 76,341

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22. GOODWILL

The Corporation has allocated its goodwill to its cash-generating units (CGUs) as follows:

	December 31, 2014	December 31, 2013
Buildings Group	\$ 114,078	\$ 114,078
Industrial Group	7,315	7,315
Commercial Systems Group	57,623	57,623
	\$ 179,016	\$ 179,016

Goodwill arose as a result of multiple past acquisitions. Goodwill associated with the Buildings Group and Commercial Systems Group CGUs arose from the Seaclyff Construction Corp. (Seaclyff) acquisition in 2010. Additional goodwill was attributed to the Commercial Systems Group CGU through the McCaine Electric Ltd. (McCaine) acquisition in 2011. Industrial Group's goodwill stems from the Laird acquisition of 2003. Goodwill recognized on all of these acquisitions was attributable mainly to the synergies achieved from the integration of acquired companies into existing construction, commercial and industrial services.

During the fourth quarter of 2014, the Corporation performed its annual goodwill impairment test. The calculated Business Enterprise Value for each of the CGUs incorporated the financial projections set out in the respective CGU's strategic plans. The annual impairment review resulted in no impairment charge in the current year.

The recoverable amounts of the CGUs' assets were determined based on a value in use calculation. There is a significant amount of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' assets given the necessity of making key economic assumptions about the future. The value in use calculation uses discounted cash flow projections which employ the following key assumptions: future cash flows, present and future discount rates, growth assumptions, including economic risk assumptions and estimates of achieving key operating metrics and drivers. Management uses its best estimate to determine which key assumptions to use in the analysis.

Key Assumptions

The key assumptions in the value in use calculations to determine the recoverable amounts by CGU have been prepared using a four year discounted cash flow analysis with a terminal value. The financial projections used for the discounted cash flow analysis were derived from the Corporation's 2014 Strategic Plan.

A four year period for the discounted cash flow analysis was used since financial projections beyond a four year time period are generally best represented by a terminal value. This period is appropriate given the timing of the project backlog and the predictability of CGU cash flows. Cash flows from growth opportunities are probability-weighted and relate to initiatives management expects to progress on in the medium to long term. These cash flows require assumptions to be made regarding the likelihood of projects progressing and the future economics of those projects.

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The terminal value was calculated using a discount rate of 12% (2013 – 12%) and a steady annual growth of 2.0% (2013 – 2.0%) in the terminal year. The same discount rate was used in each of the Corporation's CGUs given that each entity has access to the same source of debt and each CGU is ultimately governed by management at the parent Company. In addition, entity specific risks were separately factored into each CGU forecast. They take into consideration market rates of return, capital structure, company size, industry risk and after-tax cost of debt and equity.

Sensitivity of Assumptions

Buildings Group and Industrial Group: Management and the Board of Directors believe that any reasonable change to the key assumptions used to determine the CGU's recoverable amount would not cause its carrying value to exceed its recoverable amount.

Commercial Systems Group: A 1.0% increase in the discount rate and no change in the annual growth would cause an impairment charge of approximately \$4,200. A decrease in growth rate of 1.0% and no change in the discount rate would cause an impairment charge of approximately \$1,600.

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23. INTANGIBLE ASSETS

Included in computer software is \$84 (2013 - \$75) of assets relating to finance leases and \$84 (2013 - \$25) of accumulated depreciation, for a net carrying value of \$nil (2013 - \$50).

Intangible assets with a carrying value of \$nil (2013 - \$50) are pledged as security for the finance lease obligations disclosed in Note 26(c).

The Corporation did not record any impairment losses during the years ended December 31, 2014 and 2013.

2014	ERP Assets	Backlog and Agency Contracts	Customer Relationships and Tradename	Computer Software	Assets under Construction	Total
Cost						
Balance, December 31, 2013	\$ 24,908	\$ 20,600	\$ 54,423	\$ 4,485	\$ -	\$ 104,416
Additions - externally acquired	620	-	-	921	17	1,558
Disposals	(73)	-	-	(308)	-	(381)
Reclassifications and transfers	-	-	-	-	12	12
Derecognition of assets	(213)	-	-	-	(12)	(225)
Balance, December 31, 2014	\$ 25,242	\$ 20,600	\$ 54,423	\$ 5,098	\$ 17	\$ 105,380
Accumulated amortization						
Balance, December 31, 2013	\$ 5,080	\$ 20,600	\$ 22,949	\$ 3,977	\$ -	\$ 52,606
Amortization expense	2,156	-	4,781	368	-	7,305
Disposals	(14)	-	-	(212)	-	(226)
Balance, December 31, 2014	\$ 7,222	\$ 20,600	\$ 27,730	\$ 4,133	\$ -	\$ 59,685
Carrying amounts, December 31, 2014	\$ 18,020	\$ -	\$ 26,693	\$ 965	\$ 17	\$ 45,695

2013	ERP Assets	Backlog and Agency Contracts	Customer Relationships and Tradename	Computer Software	Assets under Construction	Total
Cost						
Balance, December 31, 2012	\$ 24,186	\$ 20,600	\$ 54,423	\$ 3,946	\$ -	\$ 103,155
Additions - externally acquired	722	-	-	374	-	1,096
Disposals	-	-	-	(3)	-	(3)
Reclassifications and transfers	-	-	-	168	-	168
Balance, December 31, 2013	\$ 24,908	\$ 20,600	\$ 54,423	\$ 4,485	\$ -	\$ 104,416
Accumulated amortization						
Balance, December 31, 2012	\$ 2,990	\$ 20,020	\$ 17,711	\$ 3,739	\$ -	\$ 44,460
Amortization expense	2,090	580	5,238	229	-	8,137
Reclassifications and transfers	-	-	-	9	-	9
Balance, December 31, 2013	\$ 5,080	\$ 20,600	\$ 22,949	\$ 3,977	\$ -	\$ 52,606
Carrying amounts, December 31, 2013	\$ 19,828	\$ -	\$ 31,474	\$ 508	\$ -	\$ 51,810

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24. TRADE AND OTHER PAYABLES

	December 31, 2014	December 31, 2013
Trade payables	\$ 159,873	\$ 115,730
Holdbacks and accrued liabilities	80,165	51,739
Short-term employee benefits	17,777	15,724
Dividend payable	3,006	2,976
Due to related parties	-	29
Other	3,375	4,165
	\$ 264,196	\$ 190,363

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 31 - Financial Instruments.

25. PROVISIONS

Provisions are recognized when the Corporation has a settlement amount as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate of the obligation can be made. Reversals of provisions are made when new information arises in the period which leads management to conclude that the provisions are not necessary.

	Warranties	Restructuring Costs	Claims and Disputes	Subcontractor Default	Onerous Contract	Total
Balance as December 31, 2012	\$ 4,203	\$ 636	\$ 3,588	\$ 2,472	\$ -	\$ 10,899
Provisions made during the year	3,058	-	4,802	2,791	-	10,651
Provisions used during the year	(580)	(115)	(5,780)	(1,723)	-	(8,198)
Provisions reversed in the year	(3,614)	(150)	(709)	-	-	(4,473)
Balance at December 31, 2013	\$ 3,067	\$ 371	\$ 1,901	\$ 3,540	\$ -	\$ 8,879
Balance at December 31, 2013	\$ 3,067	\$ 371	\$ 1,901	\$ 3,540	\$ -	\$ 8,879
Provisions made during the year	760	-	714	3,043	739	5,256
Provisions used during the year	(817)	(178)	(400)	(2,911)	-	(4,306)
Provisions reversed in the year	(1,930)	-	(200)	-	-	(2,130)
Unwinding of discount	-	-	-	-	(170)	(170)
Balance at December 31, 2014	\$ 1,080	\$ 193	\$ 2,015	\$ 3,672	\$ 569	\$ 7,529

The provisions are presented on the consolidated statements of financial position as follows:

	December 31, 2014	December 31, 2013
Current portion of provisions	\$ 2,616	\$ 3,987
Long-term provisions	4,913	4,892
Total provisions	\$ 7,529	\$ 8,879

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The following table represents the expected outflow of resources by category:

Expected Outflow of Resources	Warranties	Restructuring Costs	Claims and Disputes	Subcontractor Default	Onerous Contract	Total
2015	\$ 1,080	\$ 166	\$ 1,313	\$ -	\$ 57	\$ 2,616
2016	-	27	351	-	74	452
2017	-	-	351	-	66	417
2018	-	-	-	-	59	59
2019	-	-	-	-	65	65
Thereafter	-	-	-	3,672	248	3,920
	\$ 1,080	\$ 193	\$ 2,015	\$ 3,672	\$ 569	\$ 7,529

The following table represents the outflow of resources on a discounted basis using a rate between 0.46% to 0.98%:

Expected Outflow of Resources (DISCOUNTED)	Warranties	Restructuring Costs	Claims and Disputes	Subcontractor Default	Onerous Contract	Total
2015	\$ 1,075	\$ 165	\$ 1,307	\$ -	\$ 57	\$ 2,604
2016	-	27	348	-	73	448
2017	-	-	346	-	65	411
2018	-	-	-	-	58	58
2019	-	-	-	-	63	63
Thereafter	-	-	-	3,331	225	3,556
	\$ 1,075	\$ 192	\$ 2,001	\$ 3,331	\$ 541	\$ 7,140

26. LONG-TERM DEBT

	December 31, 2014	December 31, 2013
Current portion of long-term debt		
Finance contracts	\$ -	\$ 97
Finance lease obligations	391	2,462
	\$ 391	\$ 2,559
Non-current		
Revolving credit facility	\$ 115	\$ 49,320
Finance contracts	-	291
Finance lease obligations	702	724
	\$ 817	\$ 50,335

The proceeds from the sale of Broda (Note 13) and the issuance of convertible debentures (Note 27) were used to repay the amount owing under the revolving credit facility.

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(a) Revolving credit facility

On July 12, 2010, the Corporation obtained a \$200,000, senior secured revolving credit facility with a syndicate of chartered banks. The maturity date of the revolving credit facility is July 12, 2017.

In June 2014, the Corporation amended its revolving credit facility. The syndicate of lenders remains the same and the facility continues to include a \$75,000 accordion feature. Amendments included increased flexibility in the borrowing covenants (Note 32) such that the Senior Debt to EBITDA and Debt to EBITDA ratios are both permanently increased by 0.25 times to 2.75 times and 3.25 times, respectively.

Included as part of the credit facility is a swingline loan of \$20,000 (increased from \$15,000 as part of the June 2014 amendments) that allows the Corporation to enter into an overdraft position. This drawdown must be repaid within seven days of the drawdown date and is therefore classified as current. At December 31, 2014, there was no drawdown on the swingline.

The limit of the facility was reduced from \$200,000 to \$167,375 as a result of the sale of Broda (Note 13).

During the 90 day period before each anniversary date, the Corporation may extend the credit facility for an additional year. As such, there is no current portion of long-term debt related to the credit facility. The credit facility is supported by a comprehensive security package that includes all present and after acquired assets of the Corporation. Interest is charged at a rate per annum equal to the Canadian prime rate, LIBOR rate or Bankers' Acceptance rate as applicable and in effect during the interest period, plus additional interest based on a pricing rate schedule. The additional interest per the pricing rate schedule depends upon the Debt to EBITDA ratio and ranges from a low of 75 basis points for Canadian prime rate loans to a high of 300 basis points for LIBOR and Bankers' Acceptances. The credit facility contains provisions for stamping fees on Bankers' Acceptances and LIBOR loans, and standby fees on unutilized credit lines that vary depending on certain consolidated financial ratios. Total finance costs on the credit facility for the year ended December 31, 2014 were \$2,720 (2013 – \$3,240). These finance costs represent the interest paid on the debt and amortization of the deferred financing charges of \$689 for the year ended December 31, 2014 (2013 – \$633) (Note 9).

(b) Finance contracts

The Corporation no longer held finance contracts following the sale of Broda in September 2014 (Note 13). The finance contracts in 2013 related to construction equipment that matured in January 2018, bore an interest rate of 0.0%, with a weighted average effective interest rate on the contract of 0.0% per annum, and were secured by various construction and automotive equipment with a carrying value of \$441.

(c) Finance lease obligations

For the year ended December 31, 2014, the Corporation held finance leases relating to automotive equipment that mature between January 2015 and October 2017, and bear interest at rates between 0.0% and 7.4%, with a weighted average effective interest rate on the contracts of 5.2% per annum. Finance lease obligations are secured by automotive equipment with a net book value of \$1,063 (Note 21 and 23) and the lessors' title to the lease assets. The Corporation has the option to purchase the equipment under lease at the conclusion of the lease agreements.

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The finance lease obligations for the year ended December 31, 2013 were related to construction, automotive and office equipment that matured between January 2014 and December 2016, bore interest rates between 0.0% and 7.4%, with a weighted average effective interest rate on the contracts of 2.0% per annum, and were secured by construction and automotive equipment with a net book value of \$4,216 (Note 21 and 23).

	Future Minimum Lease Payments		Present Value of Minimum Lease Payments	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Not later than one year	\$ 412	\$ 2,688	\$ 391	\$ 2,636
More than 1 year but not later than 5 years	731	1,019	702	978
Later than five years	-	-	-	-
	\$ 1,143	\$ 3,707	\$ 1,093	\$ 3,614

	Interest	
	December 31, 2014	December 31, 2013
Not later than one year	\$ 21	\$ 52
More than 1 year but not later than 5 years	29	41
Later than five years	-	-
	\$ 50	\$ 93

27. CONVERTIBLE DEBENTURES

	Series I		Series II	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Principal amount - debt component, beginning of the period	\$ 81,855	\$ 79,151	\$ -	\$ -
Issuance of convertible debentures	-	-	74,076	-
Financing fees	-	-	(3,571)	-
Accretion on convertible debentures	2,289	2,082	275	-
Amortization of deferred financing fees	684	622	152	-
Principal amount - debt component, end of the period	\$ 84,828	\$ 81,855	\$ 70,932	\$ -
Principal amount - equity component, beginning of the period	\$ 7,100	\$ 7,100	\$ -	\$ -
Issuance of convertible debentures	-	-	6,424	-
Financing fees ⁽¹⁾	-	-	(230)	-
Deferred income tax	-	-	(1,605)	-
Principal amount - equity component, end of the period	\$ 7,100	\$ 7,100	\$ 4,589	\$ -

⁽¹⁾ Financing fees are net of deferred income tax of \$76.

At December 31, 2014, the principal amount of the debt component of all convertible debentures outstanding is \$155,760 (2013 - \$81,855), of which \$84,828 (2013 - \$nil) is classified as a current liability.

On June 15, 2010, the Corporation issued an aggregate of \$75,000 principal amount of 6% convertible extendible unsecured subordinated debentures of the Corporation at a price of one thousand dollars per debenture ("Series I"). On June 15, 2010, an additional \$11,250 of the convertible debentures was issued pursuant to the exercise of the underwriters' over-allotment option. Total gross proceeds from the offering amounted to \$86,250. Net proceeds of the offering, after payment of the underwriters' fee and other expenses of the offering of \$3,401, were \$82,849. The maturity date of the Series I debentures is June 30, 2015.

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On September 19, 2014, the Corporation issued an aggregate of \$70,000 principal amount of 6% convertible extendible unsecured subordinated debentures of the Corporation at a price of one thousand dollars per debenture ("Series II"). On September 29, 2014, an additional \$10,500 principal amount of the convertible debentures was issued pursuant to the exercise of the underwriters' over-allotment option. Total gross proceeds from the offering amounted to \$80,500. Net proceeds of the offering, after payment of the underwriters' fee and other expenses of the offering of \$3,877, were \$76,623. The maturity date of the Series II debentures is December 31, 2019.

Both series of convertible debentures bear interest at an annual rate of 6% payable in equal installments semi-annually in arrears on December 31 and June 30 in each year. Either set of convertible debentures may be converted into common shares at the option of the holder at any time prior to the earlier of redemption by the Corporation or maturity.

The Corporation can redeem Series I convertible debentures and Series II convertible debentures at a price of one thousand dollars per debenture:

- on or after June 30, 2013, and at any time prior to June 15, 2015, for Series I convertible debentures; and
- on or after December 31, 2017, and at any time prior to December 31, 2018, for Series II convertible debentures

provided that the current market price of the common shares is not less than 125% of the conversion price.

On and after June 15, 2015 and December 31, 2018, and at any time prior to the final maturity date, the Series I and Series II convertible debentures, respectively, may be redeemed at the option of the Corporation, in whole or in part from time to time, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest thereon up to the date set for redemption.

The Corporation may, at its discretion, elect to satisfy its obligation to pay the principal of the debentures along with any accrued and unpaid interest amount by issuing and delivering common shares. The number of shares issued will be determined based on market prices at the time of issuance.

In the event of a change of control of the Corporation (as defined in the applicable trust indenture), the Corporation shall be required to offer to purchase all of the outstanding debentures on the date that is 30 business days after the date that such offer is delivered, at a purchase price equal to 100% of the principal amount of the debentures plus accrued and unpaid interest to the purchase date. Under certain circumstances where the convertible debentures are to be repurchased by the Corporation or converted into common shares upon a change of control, a make whole premium will apply. The amount of the make whole premium, if any, will be based on the price of the common shares on the effective date of the change of control. No make whole premium will be paid if the price of the common shares at such time is:

- less than \$16.75 per share or exceeds \$65.00 per share for Series I convertible debentures; and
- less than \$10.46 per share or exceeds \$50.00 per share for Series II convertible debentures.

The table below summarizes the key terms of each convertible debenture series outstanding:

	Series I	Series II
Issue date	June 15, 2010	September 19, 2014
Maturity date	June 30, 2015	December 31, 2019
Distribution rate	6.00%	6.00%
Conversion price	\$ 22.75	\$ 14.15

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28. SHARE-BASED PAYMENTS

(a) Description of share-based payment arrangements

As at December 31, 2014, the Corporation has the following share-based payment arrangements:

(i) Stock options

Options issued under the plan for employees vest one-third each on the anniversary of the award date in each of the subsequent three years. All stock options awarded to date must be exercised over specified periods not to exceed 10 years from the date granted.

(ii) Medium Term Incentive Plan (MTIP)

Bridging Restricted Share Units (BRSU) track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant vests 20% in the first, 30% in the second, and the remaining 50% in the third year.

Restricted Share Units (RSU) track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years.

Performance Share Units (PSU) track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years, subject to certain performance criteria. The Corporation has set the PSU performance criteria as comparative Total Shareholder Return (TSR) relative to a competitive group. When each grant vests at three years, the payout can be 0% to 200% of the vested units, depending on the Corporation's relative positioning of TSR at December 31st, just prior to the end of the three year period. Each grant of PSUs is individually evaluated regularly with regard to vesting and payout assumptions. The Corporation will settle the PSUs in cash within 90 days after actual results are determined and reported.

The original cost of BRSUs, RSUs and PSUs (collectively, the "MTIPs") is equal to the fair market value at the date of grant. Changes in the amount of the liability due to fair value changes after the initial grant date at each reporting period are recognized as a compensation expense of the period in which the changes occur.

(iii) Deferred share units (DSU)

The Corporation has a DSU plan under which participants were previously entitled to contribute a portion of their earnings. As of January 1, 2013, employees were no longer able to contribute under the DSU plan. DSUs are units which provide the holder the right to receive a cash payment equal to the five-day weighted average of the value of the common shares at the payout date. DSUs are cash settled only when an employee or Director ceases to be an employee or Director. The terms of the plan allow for discretionary grants by the Board of Directors. Discretionary grants vest immediately. As DSUs are awarded, a liability is established and compensation expense is recognized in earnings upon grant. Changes in the amount of the liability due to fair value changes after the initial grant date are recognized as a compensation expense in the period in which the changes occur. DSUs are also adjusted for the Dividend Reinvestment Plan (DRIP) as they are paid.

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(b) Terms and conditions for share-based payment arrangements

The terms and conditions related to the grants of the stock option program are as follows:

Option series	Options Outstanding	Expiry Date	Exercise Price	Fair Value At Grant Date	Options Exercisable
Issued on March 22, 2010	97,608	21-Mar-15	19.63	7.62	97,608
Issued on July 20, 2010	40,000	19-Jul-15	18.34	8.96	40,000
Issued on December 10, 2010	15,000	09-Dec-15	17.60	8.12	15,000
Issued on March 22, 2011	196,221	21-Mar-16	19.32	7.59	196,221
Issued on September 12, 2011	9,000	11-Sep-16	14.32	5.47	9,000
Issued on December 13, 2011	30,000	12-Dec-16	10.46	3.63	30,000
Issued on March 15, 2012	316,781	15-Mar-17	15.48	5.03	211,187
Issued on August 17, 2012	115,740	17-Aug-17	8.19	2.16	77,160
Issued on January 2, 2013	33,524	02-Jan-18	8.64	2.30	11,175
Issued on February 8, 2013	85,470	08-Feb-18	8.75	2.34	28,490
Issued on April 1, 2013	539,141	01-Apr-23	7.50	2.52	179,714
Issued on September 13, 2014	153,557	01-Apr-24	9.94	3.08	-
Issued on September 13, 2014	50,000	13-Sep-24	9.94	3.08	-
As at December 31, 2014	1,682,042				895,555

The terms and conditions related to the grants of the MTIPs are as follows:

	Outstanding Units	Vesting Date	Fair Value At Grant Date
Issued on March 19, 2012			
PSU	125,353	19-Mar-15	15.48
Issued on April 1, 2013			
BRSU, Tranche 2	67,559	01-Apr-15	7.50
BRSU, Tranche 3	112,597	01-Apr-16	7.50
RSU	122,229	01-Apr-16	7.50
PSU	261,782	01-Apr-16	7.50
Issued on April 1, 2014			
BRSU, Tranche 1	28,827	01-Apr-15	10.79
BRSU, Tranche 2	43,241	01-Apr-16	10.79
BRSU, Tranche 3	72,069	01-Apr-17	10.79
RSU	238,137	01-Apr-17	10.79
PSU	194,328	01-Apr-17	10.79

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For the years ended December 31, 2014 and 2013

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

(c) Stock options

Movement during the years:

	December 31, 2014		December 31, 2013	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of the year	1,838,117	\$ 12.29	1,379,981	\$ 14.76
Granted	203,557	9.94	756,719	7.69
Forfeited	(151,629)	16.02	(65,629)	11.30
Exercised	(110,919)	7.83	(94,481)	6.52
Expired	(97,084)	12.44	(138,473)	16.22
Outstanding, end of year	1,682,042	\$ 11.95	1,838,117	\$ 12.29

The options outstanding for the years ended December 31, 2014 and 2013 have an exercise price in the range of \$7.50 to \$19.63 and lives of between 5 and 10 years.

The options exercised during the year ended December 31, 2014 were done so at a weighted average share price of \$9.65 (2013 - \$9.64).

Inputs for measurement of grant date fair value:

The grant date fair value of stock option plans was measured based on the Black-Scholes model. Expected volatility is estimated by considering historic average share price volatility. The amounts computed, using the Black-Scholes model, may not be indicative of the actual values realized upon the exercise of these options by the holders. The inputs used in the measurement of the fair values at grant date of the stock option payment plans are the following:

Option Series	Weighted Average Share Price	Exercise Price	Expected Volatility	Option Life	Dividend Yield	Risk-Free Interest Rate	Forfeiture Rate
Issued in 2013							
January 2, 2013	8.64	8.64	45.68%	5	4.2%	1.34%	7%
February 8, 2013	8.75	8.75	46.21%	5	4.3%	1.31%	7%
April 1, 2013	7.50	7.50	53.55%	10	4.7%	1.51%	6%
Issued in 2014							
September 13, 2014	9.94	9.94	49.74%	10	4.8%	1.81%	10%

Compensation costs are recognized over the vesting period as share-based compensation expense and an increase to the share-based payment reserve. When options are exercised, the fair value amount in the share-based payment reserve is credited to share capital.

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The following table illustrates the movement in the share-based payment reserve:

	December 31, 2014		December 31, 2013	
Balance, beginning of the year	\$	8,594	\$	7,171
Stock compensation expense from continuing operations		1,057		1,535
Stock compensation expense from discontinued operations		55		166
Stock options exercised		(365)		(278)
Balance, end of year	\$	9,341	\$	8,594

(d) MTIPs

Movement of units during the years:

	Bridging Restricted Share Units (BRSU)	Restricted Share Units (RSU)	Performance Share Units (PSU)
Units outstanding at December 31, 2012	-	-	279,447
Granted	295,109	164,792	318,002
Forfeited	(17,764)	(10,388)	(19,512)
Vested	(5,130)	-	(10,285)
Vested and paid	(9,734)	(7,662)	(64,679)
Units outstanding at December 31, 2013	262,481	146,742	502,973
Units outstanding at December 31, 2013	262,481	146,742	502,973
Granted	159,223	256,346	211,332
Forfeited	(39,046)	(18,146)	(9,152)
Vested	(190)	-	(1,072)
Vested and paid	(58,175)	(24,576)	(122,618)
Units outstanding at December 31, 2014	324,293	360,366	581,463

In April 2014, 20% of the BRSUs issued on April 1, 2013 vested at a weighted average price of \$10.18. The PSUs issued in 2011 vested on March 22, 2014 at a payout ratio of 30%.

(e) DSUs

Movement of units during the years:

	December 31, 2014	December 31, 2013
Number of DSUs		
Outstanding, beginning of the year	363,550	407,575
Granted	107,919	121,990
Cancelled	-	(14,407)
Settled	(38,221)	(151,608)
Outstanding, end of year	433,248	363,550

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(f) Share-based payment liability

	December 31, 2014		December 31, 2013	
Carrying amount of liabilities for cash-settled arrangements				
Current portion	\$	889	\$	556
Long-term portion		6,382		5,911
Total carrying amount	\$	7,271	\$	6,467
Total intrinsic value of liability for vested benefits	\$	3,315	\$	3,480

Included in trade and other payables is the current portion of the MTIPs to be paid out within the next 12 months. The long-term portion of MTIPs and DSUs of \$6,382 at December 31, 2014 (2013 – \$5,911) is classified as share-based payments in the consolidated statements of financial position. The total intrinsic value reflects all of the outstanding DSUs and vested MTIPs as at December 31, 2014.

(g) Share-based compensation expense

	December 31, 2014		December 31, 2013	
Share compensation expense on stock options ⁽¹⁾	\$	1,057	\$	1,535
Effects of changes in fair value and accretion of MTIP grants ⁽¹⁾		2,140		2,243
Effects of changes in fair value and grants for DSUs		153		1,588
	\$	3,350	\$	5,366

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13. The share compensation expense for both continuing and discontinued operations is \$3,527 (2013 - \$5,721).

29. SHARE CAPITAL

(a) Common shares and preferred shares

The Corporation's common shares have no par value and the authorized share capital is comprised of an unlimited number of common shares and an unlimited number of preferred shares issuable in series with rights set by the Directors.

	December 31, 2014		December 31, 2013	
	Shares	Share Capital	Shares	Share Capital
Common Shares				
Issued, beginning of year	24,797,163	\$ 129,134	24,493,462	\$ 126,602
Dividend reinvestment plan	146,228	1,356	209,220	1,638
Issued in the year	110,919	1,234	94,481	894
Issued, end of year	25,054,310	\$ 131,724	24,797,163	\$ 129,134

Notes to the Consolidated Financial Statements

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

(b) Common shares and dividends

The holders of common shares are entitled to receive dividends if, as and when declared by the Directors of the Corporation, to receive notice of, to attend and to one vote per share at all meetings of the shareholders of the Corporation, and to share equally in the remaining property of the Corporation upon liquidation, dissolution or wind-up of the Corporation.

The Corporation declared its fifteenth quarterly dividend of \$0.12 per share, which was paid on January 15, 2015 to shareholders of record on December 31, 2014.

The Corporation has a DRIP that allows eligible shareholders to direct cash dividends payable on their common shares of the Corporation to be reinvested in additional common shares which, when issued from treasury, will be issued at 95% of the weighted average market price of all common shares traded on the Toronto Stock Exchange on the 10 trading days preceding the dividend payment date. DSU holders' accounts are adjusted for the Corporation's declared dividends.

As at December 31, 2014, trade and other payables included \$3,007 (2013 - \$2,976) related to the dividend payable on January 15, 2015, of which \$575 (2013 - \$425) is to be reinvested in common shares under the DRIP and the remainder paid in cash.

	December 31, 2014		December 31, 2013	
	Per Share	Total	Per Share	Total
Dividend payable, beginning of year	\$ 0.12	\$ 2,976	\$ 0.12	\$ 2,940
Total dividends declared during the year	0.48	11,986	0.48	11,840
Total dividends paid during the year ⁽¹⁾	(0.48)	(11,955)	(0.48)	(11,804)
Dividend payable, end of year	\$ 0.12	\$ 3,007	\$ 0.12	\$ 2,976

⁽¹⁾ Includes DRIP non-cash payments totaling \$1,356 (2013 - \$1,638) which are recorded through share capital.

The Corporation's shareholder rights plan grants shareholders, other than the acquiring person, the right to purchase from the Corporation the number of common shares having an aggregate market price equal to twice the exercise price. Such rights can only be exercised on the occurrence of a triggering event, which is defined as a person acquiring, or publicly announcing their intention to acquire 20% or more of the common shares, other than by an acquisition pursuant to a takeover bid permitted by the plan.

(c) Preferred share reserve

No preferred shares are currently issued. Subject to the provisions of the Articles of the Corporation and the *Business Corporations Act* (Alberta), the Directors are authorized to fix the designation rights, privileges, restrictions and conditions attached to each series of preferred shares.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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

30. CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATING TO OPERATIONS

	December 31, 2014	December 31, 2013
Trade and other receivables	\$ (84,648)	\$ 46,261
Inventory	139	159
Prepaid expenses	(714)	1,424
Costs in excess of billings	(7,747)	(9,355)
Trade and other payables	79,301	(43,618)
Contract advances and unearned income	8,798	(1,882)
	\$ (4,871)	\$ (7,011)

31. FINANCIAL INSTRUMENTS

(a) Carrying values

	December 31, 2014	December 31, 2013
<i>Financial assets:</i>		
Cash and cash equivalents	\$ 104,113	\$ 36,236
Trade and other receivables	336,996	262,836
Service provider deposit	5,549	6,157
Long-term receivable, including current portion	395	250
<i>Financial liabilities:</i>		
Trade and other payables	\$ 264,196	\$ 190,363
Long-term debt, including current portion	1,208	52,894
Convertible debentures - debt component, including current portion	155,760	81,855

(b) Fair values

Financial instruments consist of recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as trade and other payables, short-term borrowings and any other amounts that will result in future cash outlays.

The Corporation has determined that the fair value of its financial assets, including cash and cash equivalents, trade and other receivables, service provider deposit and long-term receivable and financial liabilities, including the trade and other payables, approximates their respective carrying amounts as at the statement of financial position dates, because of the short-term maturity of those instruments. The fair values of the Corporation's interest-bearing financial liabilities, including the revolving credit facility, finance leases and finance contracts, also approximates their respective carrying amounts due to the floating rate nature of the debt. Further, the fair value of the Corporation's convertible debentures approximates their carrying value.

Notes to the Consolidated Financial Statements

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

Fair value hierarchy

The Corporation values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Corporation maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Corporation exercises Level 2 valuations for its fair value determination of derivative instruments and the liability portion of its convertible debentures. The Corporation did not measure any financial instruments using Level 3 inputs.

(c) Financial risk management

(i) Credit risk

The Corporation invests its cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The Corporation invests its cash and cash equivalents with counterparties that it believes are of high credit quality as assessed by reputable rating agencies. Given these high credit ratings, the Corporation does not expect any counterparties holding these cash equivalents to fail to meet their obligations.

The Corporation assesses trade and other receivables for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Corporation takes into consideration the customer's payment history, credit worthiness and the current economic environment in which the customer operates to assess impairment.

Prior to accepting new customers, the Corporation assesses the customer's credit quality and establishes the customer's credit limit. The Corporation accounts for specific bad debt provisions when management considers that the expected recovery is less than the actual amount of the accounts receivable.

The provision for doubtful accounts has been included in administrative costs in the consolidated statements of (loss) earnings and is net of any recoveries that were provided for in a prior period.

The following table represents the movement in the allowance for doubtful accounts:

	December 31, 2014	December 31, 2013
Balance at the beginning of the year	\$ 3,224	\$ 1,589
Impairment losses recognized on receivables	1,895	2,869
Amounts written off during the period as uncollectible	(744)	(190)
Amounts recovered during the year	(1,387)	(993)
Impairment losses reversed	(848)	(51)
Balance at the end of the year	\$ 2,140	\$ 3,224

Notes to the Consolidated Financial Statements

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Trade receivables shown on the consolidated statements of financial position include the following amounts that are current and past due at the end of the reporting period. The Corporation does not hold any collateral over these balances. The terms and conditions established with individual customers determine whether or not the receivable is past due.

	December 31,		December 31,	
	2014		2013	
Current	\$	116,326	\$	101,045
1-60 days past due		75,911		73,744
61-90 days past due		5,845		6,359
More than 90 days past due		21,306		20,594
	\$	219,388	\$	201,742

In determining the quality of trade receivables, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Corporation had \$21,306 of trade receivables (2013 – \$20,594) which were greater than 90 days past due with \$19,166 not provided for as at December 31, 2014 (2013 – \$17,370). Of the total, \$8,193 (38%) was concentrated in two customer accounts and of this amount \$8,193 remained outstanding as March 10, 2015. The two customers are considered to be credit-worthy and management is not concerned regarding collectability of these accounts. Trade receivables are included in trade and other receivables on the consolidated statements of financial position.

(ii) Interest rate risk

Financial risk is the risk to the Corporation's earnings that arises from fluctuations in the interest rates and the degree of volatility of these rates. The Corporation is exposed to variable interest rate risk on its revolving credit facility. The Corporation does not use derivative instruments to reduce its exposure to this risk.

At the reporting date, the interest rate profile of the Corporation's interest-bearing financial instruments was:

	Carrying Amount			
	December 31,		December 31,	
	2014		2013	
<i>Fixed rate instruments</i>				
Financial liabilities	\$	155,760	\$	81,855
<i>Variable rate instruments</i>				
Financial assets	\$	104,113	\$	36,236
Financial liabilities		1,208		52,894

Fixed rate sensitivity

The Corporation does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Variable rate sensitivity

A change of 100 basis points in interest rates at the reporting date would have increased or decreased equity and profit or loss by \$781 (2013 - \$272) related to financial assets and by \$9 (2013 - \$397) related to financial liabilities.

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(iii) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages this risk through cash and debt management. In managing liquidity risk, the Corporation has access to committed short and long-term debt facilities as well as equity markets, the availability of which is dependent on market conditions.

The Corporation believes it has sufficient funding through the use of these facilities to meet foreseeable financial liability obligations.

The following are the contractual obligations, including interest payments as at December 31, 2014, in respect of the financial obligations of the Corporation. Interest payments on the revolving credit facility have not been included in the table below since they are subject to variability based upon outstanding balances at various points throughout the year.

	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	\$ 264,196	\$ 264,196	\$ 264,196	\$ -	\$ -	\$ -
Provisions including current portion	7,529	7,529	2,616	869	124	3,920
Convertible debentures (debt portion)	155,760	193,488	93,668	9,660	90,160	-
Long-term debt including current portion	1,208	3,144	412	366	2,366	-
Lease commitments	68,782	68,782	7,241	14,090	14,089	33,362
	\$ 497,475	\$ 537,139	\$ 368,133	\$ 24,985	\$ 106,739	\$ 37,282

32. CAPITAL MANAGEMENT

The Corporation's objectives in managing capital are to ensure sufficient liquidity to pursue growth objectives, and maintain the payment of dividends, while maintaining a prudent amount of financial leverage.

The Corporation's capital is comprised of equity and long-term indebtedness. The Corporation's primary uses of capital are to finance operations, execute upon its growth strategies and fund capital expenditure programs.

The Corporation intends to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Corporation may issue new shares, raise debt or refinance existing debt with different characteristics.

The primary non-IFRS measures used by the Corporation to monitor its financial leverage are its ratios of long-term indebtedness to capitalization and net long-term indebtedness to EBITDA. The net long-term indebtedness to EBITDA measure was adopted during the year and replaces the previous measure of long-term indebtedness to EBITDA. The new metric nets cash on hand against long-term indebtedness, which more closely reflects how management measures the strength of the statement of financial position.

During the year ended December 31, 2014, management revised its definition of long-term indebtedness for the purposes of capital management to include gross principal amounts owing under long-term debt and convertible debentures. In prior periods, long-term indebtedness was comprised of the carrying values of long-term debt and convertible debentures, both net of deferred financing fees.

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Over the long-term, the Corporation strives to maintain a target long-term indebtedness to capitalization percentage in the range of 20 to 40 percent, calculated as follows:

	December 31, 2014	December 31, 2013
Long-term indebtedness:		
Long-term debt, contractual cash flow	\$ 3,144	\$ 55,207
Convertible debentures, principal amount	166,750	86,250
Total long-term indebtedness	169,894	141,457
Total equity	216,621	236,958
Total capitalization	\$ 386,515	\$ 378,415
Indebtedness to capitalization percentage	44%	37%

The Corporation targets a net long-term indebtedness to EBITDA ratio of 2.0x to 3.0x over a three to five-year planning horizon. At December 31, 2014, the net long-term indebtedness to EBITDA was 1.58x (2013 – 3.07x) calculated on a last 12-month basis as follows:

	December 31, 2014	December 31, 2013 ⁽¹⁾
Total long-term indebtedness	\$ 169,894	\$ 141,457
Less: Cash on hand	(104,113)	(36,236)
Net long-term indebtedness	\$ 65,781	\$ 105,221
Net earnings from continuing operations	\$ 7,145	\$ 4,615
Add:		
Finance costs	12,866	11,576
Income tax expense	4,070	1,986
Depreciation and amortization	14,883	16,084
Impairment loss on property and equipment	2,596	-
Loss (gain) on sale of assets	112	(32)
EBITDA	\$ 41,672	\$ 34,229
Net long-term indebtedness to EBITDA ratio	1.58x	3.07x

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13.

The Corporation manages its capital through a rolling forecast of financial position and expected operating results. In addition, the Corporation establishes and reviews operating and capital budgets and cash flow forecasts in order to manage overall capital with respect to financial covenants. The Corporation's revolving credit facility is subject to the amended covenants described below. The covenants are measured each quarter on March 31, June 30, September 30 and December 31. The Corporation was in full compliance with its credit facility covenants at December 31, 2014 and December 31, 2013.

- Working capital – Working capital represents total current assets less total current liabilities as classified on the consolidated statements of financial position. The Corporation's working capital ratio cannot be less than 1.1:1. As part of the June 2014 amendment to the revolving credit facility (Note 26), the definition of working capital for covenant calculation purposes was updated to specifically exclude the current portion of convertible debentures.
- Interest coverage – Interest coverage represents the ratio of EBITDA to interest expense for the 12 months ending as at the end of the fiscal quarter. For the purposes of the revolving credit facility, EBITDA is defined as earnings or loss before interest, income taxes, depreciation and amortization, non-cash gains and losses from financial instruments, share-based compensation and any other non-cash items deducted in the calculation of net earnings. The Corporation's interest coverage ratio must exceed 3.0:1.

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- Debt to EBITDA – Debt represents total indebtedness and total obligations of the Corporation and its subsidiaries, excluding convertible debentures. The Corporation's debt to EBITDA ratio cannot exceed 3.25:1.
- Senior Debt to EBITDA – Senior Debt represents all debt other than subordinated or unsecured debt. The Corporation's senior debt to EBITDA cannot exceed 2.75:1.

33. PRINCIPLE SUBSIDIARIES

Details of the Corporation's principal operating subsidiaries at December 31, 2014 are as follows:

Name of Subsidiary	Principal Activity	Place of Incorporation and Operation	Proportion of Ownership Interest and Voting Power Held
Stuart Olson Buildings Ltd.	Building Construction	Alberta	100%
Stuart Olson Industrial Inc.	Industrial Construction	Alberta	100%
411007 Alberta Ltd.	Corporate	Alberta	100%
TCC Holdings Inc.	Corporate	Alberta	100%
North American Rock & Dirt Inc.	Civil Construction	Federal	100%
The Churchill Corporation	Electrical Contracting	Alberta	100%

34. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

The Corporation incurred facility costs during the year ended December 31, 2014 of \$309 (2013 – \$351) for the rental of a building that is 50% owned by Schneider Investments Inc., a company owned by George Schneider, a Director of the Corporation. No amounts are included in trade payables as at December 31, 2014 (2013 – \$nil).

The Corporation incurred facility costs during the year ended December 31, 2014 of \$269 (2013 – \$398) for the rental of a building owned by Broda Holdings (2009) Inc. (Broda), a company owned by Gord Broda, the president of Broda, a former subsidiary of the Corporation. No amounts are included in trade payables as at December 31, 2014 (2013 - \$29). The Corporation reclassified these facility costs as discontinued operations in the consolidated statements of (loss) earnings.

On September 1, 2014, the Corporation completed the sale of Broda to TriWest Capital Partners and certain members of the senior management team of Broda, including the president, for gross cash proceeds of \$38,693 (Note 13). Gord Broda was the president of Broda at the time of disposition and had an indirect interest in the entity that acquired Broda. Chad Danard, a Director of the Corporation and a Managing Director of TriWest, did not participate in any discussions related to the Broda disposition.

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35. OPERATING LEASE AGREEMENTS

The Corporation leases certain construction equipment, vehicles, office premises and equipment under operating leases. Future minimum lease payments over the next five years and thereafter are as follows:

Non-cancellable operating lease commitments:

	December 31, 2014	December 31, 2013 ⁽¹⁾
Not later than 1 year	\$ 7,241	\$ 7,584
Later than 1 year and not later than 5 years	28,179	24,854
Later than 5 years	33,362	30,433
	\$ 68,782	\$ 62,871

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13.

Payments recognized as expense:

	December 31, 2014	December 31, 2013 ⁽¹⁾
Minimum lease payments	\$ 9,336	\$ 8,901
Sub-lease payments received	(1,208)	(944)
	\$ 8,128	\$ 7,957

⁽¹⁾ Certain comparative amounts have been restated, refer to Note 13.

Management has applied judgment in determining the classification of these leases as operating leases. Certain construction equipment, vehicles and equipment leases and office premise leases have been classified as operating leases since title does not pass, the monthly amounts paid do not represent substantially all of the fair value of the leased assets, the lease term is not for the major part of the economic life and the Corporation does not participate in the residual value of these assets.

36. CONTINGENCIES, COMMITMENTS AND GUARANTEES

(a) Contingencies

In the normal course of the Corporation's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings and legal actions relating to, among other things, construction disputes for which insurance is not available, human resources matters, personal injuries, property damage and general commercial and contractual matters arising from its business activities. In view of the quantum of the amounts claimed, the insurance coverage maintained by the Corporation and, in some cases, the provisions included in the Corporation's financial statements for any potential settlements in respect of these matters, management does not believe that any existing litigation or pending litigation will ultimately result in a final judgment against the Corporation that would have a material adverse impact on the financial position or results of operations of the Corporation. Litigation is, however, inherently uncertain. Accordingly, adverse outcomes to current litigation or pending litigation are possible. These potentially adverse outcomes could include financial loss, damage to the Corporation's reputation or reduction of prospects for future contract awards.

Subsidiaries of the Corporation are contingently liable for normal contractor obligations relating to performance and completion of construction contracts as well as obligations of associates in certain joint arrangements.

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(b) Commitments and guarantees

The Corporation has made various donations in support of local communities. Over the next three years the Corporation has committed to pay \$1,389 (2013 - \$1,855), of which \$834 (2013 - \$1,710) is to be paid in the upcoming 12 month period.

The Corporation is a participant in joint operations for which it has provided joint and several guarantees, increasing the maximum potential payment to the full value of the work remaining under the contract. The Corporation has issued several parental guarantees in support of significant projects being undertaken by the Buildings Group and Industrial Group segments.

Furthermore, there are various outstanding parental guarantees provided by the Corporation in respect of the obligations and performance of the Corporation's operating segments.

(c) Letters of credit

The Corporation has provided several letters of credit in the amount of \$4,357 in connection with various projects and joint arrangements (2013 - \$5,059), of which \$nil are financial letters of credit (2013 - \$nil).

37. EVENTS AFTER THE REPORTING PERIOD

On November 5, 2014, the Corporation's Board of Directors declared a common share dividend of \$0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable January 15, 2015 to shareholders of record on December 31, 2014.

On January 6, 2015, the Corporation acquired 100% of the issued and outstanding shares of Studon Electric & Controls Inc. (Studon), a leading electrical and instrumentation services provider offering non-union construction, maintenance and turnaround service to the oil and gas, pipeline and petrochemical industries in Western Canada. This acquisition was a critical step in the Corporation's strategy to become an integrated, full-service industrial construction company. It strengthens the vertical integration of the Industrial Group and greatly enhances the Corporation's ability to service the maintenance, repair and operations sector of the industry.

The total purchase price is composed of four components, being cash of \$59,900, common shares of the Corporation valued at \$7,711, deferred consideration through earn-out payments over the next three years to a maximum value of \$24,200, and lastly the assumption of net debt and a working capital adjustment. The fair value of the 1,103,081 common shares issued is based on the share price of \$6.99, which is the trading value at the time of the close of the transaction on January 6, 2015, the date of the change of control. The fair value of earn-out payments, working capital adjustments, and value of the assets and liabilities have not been finalized by March 10, 2015, all of which will affect the final purchase price of the acquisition.

Goodwill that will be recognized on this acquisition is mainly attributed to the synergies achieved from the integration of Studon into existing construction and industrial services. The identifiable intangible assets acquired will include tradename, backlog and customer relationships. The values associated with goodwill and intangible assets will be established once the full purchase price allocation has been finalized.

The assets and liabilities acquired from Studon cannot be disclosed at this time as the Corporation is still in the process of completing an audit of Studon's closing balance sheet.

Corporate & Shareholder Information

Officers

David LeMay, MBA
President and Chief Executive Officer

Daryl Sands, B.Comm., CA
Executive Vice President, Finance and
Chief Financial Officer

Allan Tarasuk, P.Eng., STS
President and Chief Operating Officer
Stuart Olson Industrial Inc.

Al Miller
President
Canem Systems Ltd.

Joette Decore, BSc., MBA
Vice President, Strategy and Corporate
Development

Amy Gaucher, B.Comm., CA
Vice President, Finance

Evan Johnston, L.L.B., CFA
Vice President, General Counsel and
Corporate Secretary

Directors

Albrecht W.A. Bellstedt, B.A., J.D., Q.C.
Chair

Richard T. Ballantyne, P. Eng. ^{(1) (4)}

Rod Graham, CFA, MBA ^{(1) (4)}

Wendy L. Hanrahan, CA ^{(2) (3)}

Carmen R. Loberg ^{(1) (3)}

Ian M. Reid, B.Comm. ^{(2) (3)}

George M. Schneider ^{(2) (4)}

Chad Danard ^{(1) (2)}

David LeMay, MBA

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Human Resources &
Compensation Committee

⁽³⁾ Member of the Corporate Governance &
Nominating Committee

⁽⁴⁾ Member of the Health, Safety and
Environment Committee

Executive Offices

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Auditors

Deloitte LLP
Edmonton, Alberta

Principal Bank

HSBC Bank Canada

Bonding and Insurance

Aon Reed Stenhouse Inc.
Federal Insurance Company
Liberty Mutual Insurance Company

Registrars and Transfer Agents

Inquiries regarding change of address, registered holdings, transfers, duplicate mailings and lost certificates should be directed to:

Common Shares:

CST Trust Company
600 The Dome Tower
333 – 7th Avenue SW
Calgary, Alberta T2P 2Z1
Phone: 403 776-3900
Fax: 403 776-3916
Email: inquiries@canstockta.com
Website: www.canstockta.com
Answerline: 1-800-387-0825

Convertible Debentures:

Valiant Trust Company
Suite 310, 606 – 4th Street SW
Calgary, Alberta T2P 1T1
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