2017

ANNUAL REPORT

BIRD

EIGHTY-SEVENTH

ANNUAL REPORT

BIRD

for the year ended
December 31, 2017

CORPORATE OFFICE

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

DIRECTORS

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

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

OFFICERS

Ian J. Boyd, P.Eng. .... President & CEO
Teri L. McKibbon .... Chief Operating Officer
Wayne R. Gingrich CPA, CMA .... CFO & Assistant Secretary
Charles J. Caza, BA, Sc.Eng., LL.B .... General Counsel & Secretary
Gilles G. Royer, P.Eng. .... Executive Vice President - Industrial
Ken W. McClure .... Executive Vice President - Commercial
Mark P. Dreschel .... SVP Organizational Excellence

AUDITORS

KPMG LLP

BANK

Bank of Montreal

SURETY

Travelers Guarantee Company of Canada

STOCK EXCHANGE LISTING

Toronto Stock Exchange (Symbol "BDT")

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services

WEBSITE

www.bird.ca

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Bird Construction Inc.'s ("the Company" or "Bird") financial condition and results of operations should be read in conjunction with the December 31, 2017 consolidated financial statements of Bird Construction Inc. This discussion contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. See "Forward-Looking Information". Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described under "Risks Relating to the Business" and "Risks Relating to the Shares" included in the Company's most current Annual Information Form dated March 8, 2018. This MD&A has been prepared as of March 8, 2018. Additional information about the Company is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company's Annual Information Form and other filings.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

(in thousands of Canadian dollars, except per share amounts)	2017	2016	2015
Income Statement Data			
Revenue	**$ 1,418,439**	$ 1,589,868	$ 1,444,806
Net income	**11,618**	25,002	21,482
Basic and diluted earnings per share	**0.27**	0.59	0.51
Adjusted Net Income (1)			
Adjusted net income	**11,618**	27,741	41,802
Adjusted net income per share	**0.27**	0.65	0.98
Cash Flow Data			
Net increase (decrease) in cash and cash equivalents during the year	**(127,615)**	43,143	54,723
Cash flows from (used in) operations	**(91,121)**	43,682	74,775
Additions to property and equipment (2)	**14,572**	5,602	5,565
Cash dividends paid	**17,891**	32,297	32,297
Cash dividends declared per share	**0.39**	0.76	0.76
Balance Sheet Data			
Total assets	**719,773**	817,383	733,992
Working capital	**90,660**	118,043	127,358
Loans and borrowings (current and non-current)	**18,598**	11,388	19,332
Shareholders' equity	**158,621**	163,566	170,891

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

(2) includes computer software purchases classified as intangible assets.

2017 HIGHLIGHTS

- In 2017, the Company generated net income of $11.6 million on construction revenue of $1,418.4 million compared with net income of $25.0 million and $1,589.9 million of construction revenue in 2016. The decrease in the amount of 2017 earnings is reflective of the low volume of industrial project backlog carried into 2017 as several large industrial projects were substantially completed in the fourth quarter of 2016. In 2016, the Company benefitted from a higher proportion of higher margin industrial work than in 2017, which has shifted to predominantly commercial and institutional projects.

- In 2017, the Company secured $1,467.4 million of new contract awards and change orders which is 38% higher year-over-year, and executed $1,418.4 million of construction revenues. New contract awards through the year contributed to a Backlog of $1,186.0 million for the Company at December 31, 2017, an increase of $49.0 million from the $1,137.0 million of Backlog recorded at December 31, 2016. Examples of new awards added to Backlog in 2017 that demonstrate success in diversifying the Company's work program include:

    - In the first quarter of 2017, the Company was contracted to construct the new mental health facility and energy centre at Royal Columbian Hospital for Fraser Health. As part of the Harbour City Solutions consortium, the Company executed a contract to design, build, finance, operate and maintain a new biolsolids management facility for the City of Hamilton.

  - In the third quarter of 2017, the Company announced that it was part of the Niagara Falls Entertainment Partners consortium that had executed a contract to design, build, finance and maintain an entertainment facility for the Ontario Lottery and Gaming Corporation in the City of Niagara Falls.
  - In the fourth quarter of 2017, the Company was part of a consortium that has been contracted to design, build, finance and maintain Bruce Power's new office complex and training facility in Kincardine, Ontario. This project will be the Company's first in the nuclear market.

- In the fourth quarter of 2017, the Company announced that it is part of the Hartland Resource Management Group consortium that was selected as preferred proponent to design, build, finance, operate and maintain the residuals treatment facility for the Capital Regional District ("CRD") in Victoria, BC. Subsequent to 2017 year end, the consortium executed the contract with CRD, and will add to the Company's Backlog in 2018.

- The Company achieved substantial completion on three Public Private Partnership and alternative finance ("PPP") projects in the twelve months ended December 31, 2017:

  - Calgary Composting Facility - The plant is the largest composting facility in Canada and has an administration and educational building that is the first commercial building in Alberta registered under LEED® v4.
  - Casey House Redevelopment – The project is a four-story addition to a heritage-designated Victorian mansion in downtown Toronto and is a specialized health care facility that will service 200 registered clients and has 14 new inpatient rooms.
  - Saskatchewan Joint-Use Schools – The Company delivered 18 new schools on nine sites in Regina and the Saskatoon region representing the largest new schools project in Saskatchewan's history. Each joint-use site includes two schools: one public and one Catholic, along with a 90-space childcare center and community space. Joint-use schools are co-located so that they share a roof and spaces such as gymnasiums and multipurpose rooms.

- In the fourth quarter, a PPP project achieved substantial performance in late December as defined in the provincial lien legislation but did not achieve substantial completion from a contractual standpoint. As a result, the Company took a provision to cover the additional escalation costs and financing costs from lenders that would result in the first quarter of 2018. The Company has taken appropriate measures and expects to achieve substantial completion in the first quarter of 2018.

- In 2017, cash and cash equivalents decreased $128.8 million net of the effects of foreign exchange to $133.1 million, from the $261.9 million balance at the end of 2016. The majority of the year-over-year decrease in cash relate to timing issues created by the receipt and payment of holdback payments to subcontractors on several large industrial projects which completed late in fourth quarter of 2016. In addition, reducing cash year-over-year was $20.9 million of income taxes paid, which again is primarily driven by the timing of completion of these large industrial projects in fourth quarter 2016.

- The Company invested $12.1 million of cash in investments accounted for using the equity method in fiscal 2017, which is a first for the Company. Cash investments were made in both PPP concession entities held by Bird Capital and in the Stack Modular group of companies ("Stack") located in Alberta and Hong Kong, with operations in China. Through its investments in entities accounted for using the equity method, the Company has realized equity investment income of $1.8 million, compared with equity investment losses of $0.1 million recognized during 2016.

- Cash used for property and equipment additions has increased $9.1 million compared with 2016 reflective of an improving outlook for projects with self perform civil activities in the energy and resource markets.

- During the fourth quarter of 2017, the Company generated net income of $4.7 million on revenue of $377.7 million compared with net income of $5.8 million and $430.7 million of revenue in 2016. The reduction in the amount of 2017 net income is primarily a result of $1.4 million higher general and administrative costs, specifically third-party external pursuit costs, year-over-year.

- In December 2017, the Company extended its committed revolver facility by an additional year, to December 31, 2020, and its bank increased the committed revolver facility from $55.0 million to $70.0 million. The increase in the committed facility enables Bird additional flexibility to pursue opportunities to grow the business profitably.

- The Board has declared monthly eligible dividends of $0.0325 per common share for March 2018 and April 2018.

NON-GAAP MEASURE:

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

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

	2017	2016
Net income as reported in financial statements (GAAP)	$ **11,618**	$ 25,002
Add: Impairment of equipment	**-**	3,855
Add: Associated tax effect	**-**	(1,116)
Adjusted net income (Non-GAAP Measure)	$ **11,618**	$ 27,741
Adjusted net income per share (Non-GAAP Measure)	$ **0.27**	$ 0.65

The Company's net income in 2016 was negatively impacted by a non-cash charge to earnings of $3.9 million ($2.7 million after deferred tax reversal) for the impairment of equipment.

NATURE OF THE BUSINESS

The Company operates as a general contractor in the Canadian construction market with offices in: St. John's, Halifax, Saint John, Wabush, Montreal, Ottawa, Toronto, Winnipeg, Calgary, Edmonton, and Vancouver. The Company and its predecessors have been in operation for 98 years. The Company focuses primarily on projects in the industrial, commercial and institutional sectors of the general contracting industry. Within the industrial sector, Bird constructs industrial buildings and performs civil construction operations including site preparation, concrete foundations, metal & modular fabrication, mechanical process work, underground piping and earthwork for clients primarily operating in the oil and gas and mining businesses. Within the commercial sector, Bird's operations include the construction and renovation of shopping malls, big box stores, office buildings, hotels and selected high-rise condominiums and apartments. Within the institutional sector, Bird constructs hospitals, post-secondary education facilities, schools, prisons, courthouses, government buildings, retirement & senior housing, and environmental facilities that include water and wastewater treatment centres, composting facilities and biosolids treatment and management facilities. The Company has developed expertise in the construction of vertical elements and overall management of transportation related projects and will continue to enhance our abilities as governments plan to increase stimulus spending to address aging infrastructure. Bird also invests in equity in PPP projects as a means to support construction operations. In all sectors, Bird contracts with its clients using a combination of fixed price, unit price, cost reimbursable and guaranteed maximum price, and provides services that include construction, design-build and construction management delivery methods.

While Bird self-performs some elements of its projects, particularly in the industrial market and in conjunction with its civil construction and contract mining operations, a significant portion of the overall construction risk rests with Bird's subcontractors. The scope of work of each subcontractor is generally defined by the same contract documents that form the basis of the Company's agreements with its clients. The terms of the agreements between the Company and its clients are generally replicated in the agreements between the Company and its subcontractors. These "flow-down" provisions substantially mitigate the risk borne by the

Company. Depending on the value of the work, the Company may require bonds or other forms of contract security including enrolling our subcontractors in Bird's subcontractor default insurance program which will mitigate exposure to possible additional costs should a subcontractor not be able to meet its contractual obligations. Bird's primary constraint on growth is the ability to secure new work at reasonable margins and the availability of qualified professional staff who can be assigned to manage the projects.

STRATEGY

In 2016, the Company undertook a comprehensive strategic review to assess its market position and re-establish medium and long-term goals. This process culminated in the Company's Board of Directors endorsing the *Build Bird* five-year strategic plan that has been developed to further enhance the Company's position as a premier Canadian contractor driven by the passion and dedication of a team of construction professionals. The *Build Bird* five-year strategic plan is in its first full year of implementation in 2017 and features three core pillars: *Build the Business, Build the Team* and *Build Relationships*. Each pillar is further articulated by three primary initiatives.

Broadly, Bird's strategic focus is to secure projects in markets with higher profit margins, which, in 2017, consisted of PPP and large design-build projects in the institutional sector as well as smaller midstream oil & gas capital projects in western Canada. In the coming years, this will also include more Maintenance, Repair and Operations ("MRO") opportunities for our energy clients. For Bird Heavy Civil (formerly known as H.J. O'Connell), efforts will focus on diversifying the customer base on select mining support and environmental projects. Details of each pillar and primary initiatives are expanded below.

BUILD THE BUSINESS

Diversification and Growth

The diversification of the Company's work program and earnings base is intended to strengthen the Company by making it healthier and more resilient during economic downturns. As part of the overall strategy, Bird will continue to focus on larger and more complex construction projects, which typically offer greater profit margins. *Diversification and Growth*, will be realized through several methods including geographic expansion of existing services, introduction of new services and the development of new clients. The Company will be very selective in its execution of the strategy to ensure it grows and diversifies profitably.

The Company will continue to express its preference for design-build construction contracts where its proven experience provides Bird with a source of competitive advantage in the construction market. The primary focus for geographic expansion in 2017 was the ongoing development of the Edmonton Commercial office which, coupled with our office in Calgary will further service the institutional, municipal and commercial sectors in the Alberta region. While the market conditions are expected to remain difficult in 2018, the district will continue its efforts to organically grow its work program and build momentum for the future. The Company will also seek opportunities to expand commercial and institutional expertise into additional markets in Canada by way of joint venture arrangements or through acquisition.

New service offerings will also contribute to Bird's diversification and growth strategy. The Company will continue to leverage the acquisition of Nason Contracting Group Ltd. completed in 2013 to secure greater participation in the MRO market in northern Alberta through the execution of self-perform mechanical process work for existing clients. Also, the Company will further leverage its earth moving and civil capabilities gained through the acquisition of H.J. O'Connell Ltd. (rebranded Bird Heavy Civil) into industrial markets in western Canada, enhancing our existing relationships and self-perform operations. More recently, the Company plans to leverage its 2017 investment in Stack which is a modular construction company with production operations in China. Stack produces steel frame modules for permanent construction. The modules are suited for the hotel, senior housing, office space and general housing sectors. The Company and Stack have complementary knowledge, resources and expertise that positions them well to serve the permanent modular construction market in Canada and the United States. Additional service offerings will be introduced to help secure opportunities presented by the federal government's mandate to invest in indigenous communities, environmental initiatives and transportation projects. The Company's goal is to leverage its areas of expertise to participate more fully in these markets on selective projects where it can develop a compelling win strategy.

As part of the Company's growth strategy, the Company will use its existing relationships in established markets to expand its work program. As one of only a few general contractors in Canada with a national footprint, Bird looks to deepen its relationship with existing commercial clients that have a portfolio of properties and development opportunities both regionally and across Canada while also seeking to foster new client relationships. Historically, in western Canada the Company's industrial work program has been focused on the oil sands where it has secured a reputation as a safe, reliable and cost effective general contractor. In the coming years, the Company will leverage these proven capabilities to develop clients and work programs in central and western Canadian provinces. Similarly, Bird Heavy Civil will broaden its established activities in the Labrador Trough region to secure similar opportunities in eastern Canada. This wider geographical scope will also support the need to develop additional clients, primarily in Quebec, Ontario and northern Canada in an effort to diversify from Bird Heavy Civil's historical focus on the iron ore market. These efforts to develop new clients will require a commitment to business development and a recognition that program accomplishments will take time to mature, particularly given the market conditions seen in the resource sector in recent years.

Build Efficiencies
As a primary initiative of the *Build the Business* pillar, Bird's strategy for *Build Efficiencies* is to drive business process improvements to extract potential savings from overheads. These savings will be reinvested into the Company's strategic initiatives. Increasing process efficiency, particularly for the operations team, will also lead to greater engagement amongst the employee group and is anticipated to positively impact production as project teams will be able to dedicate more energy on project execution and less on administrative tasks.

Safe Production
At Bird, the single most important value is Safety and the goal is zero harm. Building on a highly reputable and proven safety program, this ongoing initiative will further the Company's commitment to embedding a *Safe Production* mindset throughout the project lifecycle, from estimating through to post-job assessment. It will require driving greater involvement and commitment from subcontractors and suppliers, and will further extend to fostering the safe planning and execution of Bird employee activities off the job. This holistic approach reflects the Company's fundamental belief that thinking and acting safely is not a switch that can, or should be, activated when arriving at or leaving the job site or workplace. Rather, it is a mindset that must be encouraged, nurtured and supported so that safe behaviours become a habit; repeatable, sustainable, and embedded in everything Bird staff do.

BUILD THE TEAM

Drive Positive Engagement & Become the Employer of Choice
The primary initiative of the *Build the Team* pillar features a wide range of human resource program initiatives intended to enhance the employee experience, *Drive Positive Engagement*, and create a more mobile, better trained, better led, and more productive workforce. Bird's success is highly dependent on the Company's ability to attract, develop and retain a highly skilled workforce at all levels within the organization including executives, management, professional staff and craft workers by *Becoming the Employer of Choice,* which is the second initiative of *Build the Team*. Through the strategic planning process, a number of key priorities and challenges pertaining to the recruitment, development and retention of employees were identified. The Company will work to improve its human resource management processes to better support its recruitment, onboarding, and performance management programs. This will help elevate the employee experience at Bird by facilitating effective talent management and mobility across the organization.

Grow Our Talent
While creating a positive and safe work environment at Bird is non-negotiable, the Company is equally committed to providing employees, and potential employees, with interesting and challenging work and opportunities to *Grow Our Talent* in a welcoming environment where people can build a successful career in every aspect of the business. Contributing to talent growth is the development of improved employee resource materials including an updated employee handbook, onboarding resources and the delivery of updated Bird Core Construction Training modules across the Company. A key element in the Company's talent growth plan is the enhancement

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

BUILD RELATIONSHIPS

One Bird

Recognizing that the construction industry has evolved and projects are getting more complex, Bird has deployed the *One Bird* initiative that considers a holistic, company-wide approach to work more efficiently and effectively. One of the primary goals of this initiative is to identify and share the expertise across the Company to enhance effective deployment of human resources on the best opportunities, regardless of employees' geographic location. By promoting a more mobile workforce and increasing collaboration the Company will leverage its talent for targeted opportunities to secure greater outcomes.

Creating a Customer 1st Attitude

A primary initiative of the *Build Relationships* pillar, the *Creating a Customer 1st Attitude*, targets the development of stronger client relationships. The Company has traditionally focused on operational excellence and execution of its work program as a means to develop client relationships. While this has served the Company well in terms of delivering consistent results and developing repeat clients, there is a need to invest more resources in strengthening existing client relationships and developing new ones. This is consistent with Bird's strategy of targeting work with clients that welcome innovation and position the Company to add value. Bird will continue to target complex work, a market the Company has successfully performed in and one where the competition will be like-minded contractors with similar cost structures and approaches to risk and reward. Clients that seek a longer term, mutually beneficial relationship align well with the *Build Bird* five-year strategic plan.

Corporate Social Responsibility

Bird believes in being a good corporate citizen and supporting the communities in which it works and its employees live. In addition, employees increasingly wish to align themselves with a company that gives back and is socially responsible. Bird's *Corporate Social Responsibility* initiative includes Indigenous Cultural Awareness training for all employees which builds upon the Company's Indigenous Engagement Policy. Furthermore, establishment of the *Bird Foundation*, a formal conduit for tabulating and communicating Bird community donations and contributions, will provide greater direction to the Company's community engagement while driving increased employee participation and engagement.

KEY PERFORMANCE DRIVERS

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

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

The Company's success in securing work is also reflected in the value of the Backlog. The following table shows the Company's Backlog at the end of the comparative reporting periods. The Company's Backlog of $1,186.0 million at December 31, 2017 increased compared with $1,137.0 million at December 31, 2016. In 2017, the Company announced it had signed contracts to design and build a mental health facility and energy centre at the Royal Columbian Hospital in New Westminster, BC and more recently an administration and training facility for

Bruce Power in Kincardine, ON. In addition, the Company as part of separate consortia signed contracts to design, build, finance, maintain and operate a biosolids facility for the city of Hamilton and an entertainment centre for Ontario Lottery & Gaming in Niagara Falls, ON. In December 2017, the Company announced that it was part of the consortium selected a preferred proponent for the biosolids facility for CRD in Victoria, which was subsequently contracted in February 2018. As of December 31, 2017, the Company was actively pursuing seven PPP projects. In addition, there is one PPP opportunity that the Company has been shortlisted on and is awaiting the issuance of the request for proposals, and two more that the Company has responded to the request for qualification and is awaiting confirmation of the shortlist of proponents.

(in thousands of Canadian dollars)	**2017**	2016
Backlog	$ **1,186,000**	$ 1,137,000

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

	2017	2016
Gross Profit Percentage	5.2%	5.8%

In 2017, the Company realized a Gross Profit Percentage of 5.2% compared with 5.8% in 2016. The reduction in Gross Profit Percentage reflects the impact of a PPP project not achieving substantial completion from a contractual standpoint in the fourth quarter. The Company took a provision to cover the additional escalation costs and financing costs from lenders that would result in the first quarter of 2018. The year-over-year decrease in contribution from the industrial work program is also reflected in the decrease in the Gross Profit Percentage. Specifically, in 2016 the Company was working on several larger scale industrial projects. Those projects were substantially completed in the fourth quarter of 2016. The Gross Profit Percentage realized on those projects was higher than the Gross Profit Percentage earned on the current work program, which is comprised of predominately commercial and institutional projects. In addition, through the course of 2016 the Company aligned the cost structure of the business with the progressive decline of the industrial work program. However, in 2017, the Company carried expenses associated with a number of key resources required to execute work identified in the balance of 2017, negatively impacting gross profit. As a result of these factors, the Gross Profit Percentage reported in 2017 is lower than 2016.

Financial Condition

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

(in thousands of Canadian dollars)	**2017**	2016
Working capital	$ **90,660**	$ 118,043
Shareholders' equity	$ **158,621**	$ 163,566

Cash flows from operations before changes in non-cash working capital of $29.6 million was insufficient to offset dividend payments of $17.9 million, investment in associates of $12.1 million and income taxes paid of $20.9 million, which were the primary drivers resulting in a decline of working capital of $27.4 million in 2017.

The $4.9 million decrease in the amount of the Company's shareholders' equity since December 31, 2016 is essentially a result of the $16.6 million dividends declared in the year exceeding the net income of $11.6 million generated in 2017.

The Company has adequate amounts of both working capital and equity to operate the business. The Company expects resource prices to remain stable and recognizes that the construction industry generally lags the recovery of the underlying resource prices. These market conditions and the subsequent reduction of the industrial work program combined with the anticipated increase in PPP project activity, which requires a healthy balance sheet, led to a decision in November 2016 by the Company and its Board of Directors to reduce the amount of dividends paid commencing January 2017. The reduction in the amount of the monthly dividend has helped the Company maintain adequate equity and working capital to support execution of the Company's diversification strategy that otherwise would not have been attainable if the dividend rate prior to November 2016 was maintained.

Safety

At Bird, ensuring that all work on our sites is executed to exacting quality standards begins with our commitment to creating and sustaining a culture in which the identification, assessment, and elimination or control of hazards and risks is incorporated into every aspect of our operations. We call this *Safe Production,* and it is a cornerstone of our operational philosophy and approach.

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

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

At Bird, *Safe Production* is not just a vision or a philosophy, it is a daily routine practiced with discipline and rigor on all our job sites. As part of the *Safe Production* strategic initiative, the Company completed an organization wide Safety Culture Assessment in the third quarter of 2017 which will form the basis for the development of a long-term safety strategy for the organization.

In 2017, Bird executed 3,636,791 manhours of work, incurring three lost time incidents (LTI) for an LTI frequency of 0.16.

2017	2016
0.16	0.00

RESULTS OF OPERATIONS

FISCAL 2017 COMPARED WITH FISCAL 2016

In the fiscal year ended December 31, 2017, the Company recorded net income of $11.6 million on construction revenue of $1,418.4 million compared with net income of $25.0 million on $1,589.9 million of construction revenue respectively in 2016. In the current year, construction revenue of $1,418.4 million was $171.5 million or 10.8% lower than the $1,589.9 million recorded in 2016. As expected, the Company's industrial revenues declined relative to those recorded in 2016, primarily owing to a reduced work program resulting from the successful completion of several large-scale projects in late 2016 and the general state of the market in a low commodity price environment. Overall, the Company continues to successfully execute on its significant commercial and institutional work program, including multiple PPP projects.

The Company's gross profit of $74.4 million in 2017 was $17.3 million or 18.8% lower than $91.7 million recorded in 2016. In 2017, the Gross Profit Percentage of 5.2% compares to 5.8% recorded in 2016. During the year, cost estimates were increased on a PPP project that served to negatively impact gross profit in 2017. The project achieved substantial performance as defined in the provincial lien legislation but failed to achieve substantial completion from a contractual standpoint. As a result, the Company took a provision to cover additional escalation and financing costs from lenders that would result in the first quarter of 2018. The Company has taken appropriate measures and expects to achieve substantial completion in the first quarter of 2018. In addition, the decrease in the amount of gross profit in 2017 is also reflective of the low volume of industrial project backlog carried into 2017 as several large industrial projects were substantially completed in the fourth quarter of 2016. In 2016, the Company benefitted from a higher proportion of industrial work than in 2017 which was predominantly characterized by more commercial and institutional projects. Current year results were further negatively impacted by carrying the expense associated with key resources required for future work identified in the industrial market.

Income from equity accounted investments in 2017 was $1.8 million compared with a loss of $0.1 million in 2016 as PPP concession entities became profitable in the later stages of the projects as construction reached or neared completion in 2017.

In 2017, general and administrative expenses of $59.8 million (4.2% of revenue) compares with $58.8 million (3.7% of revenue) in 2016. In 2017, the Company spent $5.5 million in third-party pursuit costs which is $3.2 million higher than the amount recorded in 2016, however this was more than offset by a reduction of employee compensation expense. The year-over-year increase is primarily driven by foreign exchange loss and transaction expenses related to the investment made in Stack.

Finance income in 2017 of $4.1 million is comparable to the $4.5 million recorded in 2016.

Finance and other costs of $3.7 million in 2017 were $0.7 million higher than the $3.0 million reported in 2016. The increase is due an increase in finance costs for capital purchases and interest costs associated with the total return swap program.

In 2017, income tax expense of $5.3 million, was $4.0 million lower than the $9.3 million expense recorded in 2016, consistent with lower earnings in 2017, but a higher effective tax rate primarily due to increases in non-taxable items.

THREE MONTHS ENDED DECEMBER 31, 2017 COMPARED WITH THREE MONTHS ENDED DECEMBER 31, 2016

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

	For the three months ended December 31,	
	2017	2016
	(unaudited)	(unaudited)
Construction revenue	**$ 377,713**	$ 430,716
Costs of construction	**353,180**	407,007
Gross profit	**24,533**	23,709
Income (loss) from equity accounted investments	**220**	57
General and administrative expenses	**(17,194)**	(15,836)
Income from operations	**7,559**	7,930
Finance income	**1,104**	1,209
Finance and other costs	**(1,253)**	(707)
Income before income taxes	**7,410**	8,432
Income tax expense	**2,676**	2,634
Net income for the period	**$ 4,734**	$ 5,798

During the fourth quarter of 2017, the Company generated net income of $4.7 million on construction revenue of $377.7 million compared with $5.8 million and $430.7 million, respectively in the comparable quarter of 2016. The decrease in the amount of fourth quarter 2017 earnings is primarily due to the increase in pursuit costs offset by an improvement in gross profit realized on lower quarterly construction revenue.

Construction revenue of $377.7 million was $53.0 million or 12.3% lower than $430.7 million recorded in the fourth quarter of 2016. The decrease in construction revenues has been driven by a combination of lower revenue attributable to our PPP work program as substantial completion was achieved on three projects through to the end of September 2017 as well as a reduction in the Company's industrial work program. As expected, the Company's industrial revenues declined relative to those recorded in 2016, primarily due to the reduction in the capital spending programs of many of our industrial clients in response to low commodity prices.

The Company's fourth quarter gross profit of $24.5 million was $0.8 million or 3.5% higher than $23.7 million recorded a year ago, although 2016 gross profit included $3.9 million impairment on equipment. There was no impairment in 2017, as utilization of the equipment fleet increased year over year in 2017. The Company's fourth quarter 2017 Gross Profit Percentage of 6.5% compares to 5.5% recorded a year ago, or 6.4% adjusting for the impairment recorded in the fourth quarter of 2016 for comparison purposes. The increase in the Gross Profit Percentage in the fourth quarter 2017 is primarily due to the improving total gross profit realized on lower quarterly construction revenues despite the Company recording a provision on a PPP project to cover the additional escalation costs and financing costs from lenders that would result in the first quarter of 2018. While the Company achieved substantial performance in late December as defined in the provincial lien legislation on this project, it did not achieve substantial completion from a contractual standpoint.

Income from equity accounted investments was $0.2 million in the quarter, which is comparable with income of $0.1 million in 2016.

In the fourth quarter of 2017, general and administrative expenses of $17.2 million (4.6% of revenue) was $1.4 million higher than the $15.8 million (3.7% of revenue) recorded in 2016. In 2017, the Company spent $2.1 million in third-party pursuit costs which was $1.3 million higher than the fourth quarter of 2016.

Finance income in the fourth quarter of 2017 of $1.1 million was comparable to the $1.2 million recorded in the same period of 2016.

Finance and other costs of $1.3 million were $0.6 million higher than the $0.7 million reported in the comparable period of 2016. The increase is primarily due to the increase in interest expense on non-recourse project financing.

In the fourth quarter of 2017, income tax expense of $2.7 million was comparable to 2016.

FUTURE OPERATING PERFORMANCE

At December 31, 2017, the Company was carrying a Backlog of $1,186.0 million, representing an increase from the $1,137.0 million carried at the end of 2016. Backlog has stabilized in 2017 after declining through 2016, a result of securing several key new contracts such as the Mental Health Facility and Energy Centre at the Royal Columbian Hospital and more recently the Niagara Falls Entertainment Centre. In addition, the Company has been successful in securing smaller but strategic projects, including a biosolids management facility in Hamilton. The current backlog is predominately characterized by institutional work, a result of securing a significant number of new awards in this sector. While backlog attributable to the industrial and heavy civil work programs increased through the course of 2017, it remains low from a historical perspective as clients continue to have a measured approach to capital spending in response to the lower commodity price environment.

The Company is cautiously optimistic in its outlook for the industrial and resource sectors in 2018 and expects activity to progressively increase through the course of the year. Bidding activity in the mid-stream oil and gas market in western Canada and for mining opportunities in eastern Canada increased in 2017, a trend anticipated to continue in 2018. While the environment remains challenging and highly competitive, there are an increasing number of opportunities which should support an overall increase in the level of activity in 2018. The Company is also beginning to realize success in its effort to diversify its industrial work program, successfully securing an administration building and warehouse facility with Bruce Power in Kincardine, ON, as well as several mechanical process contracts, including a maintenance contract for an oil sands client in northern Alberta. In eastern Canada, the Company has been successful in securing and executing mining related work with a new client and has experienced an increase in mining activity generally through the course of 2017.

With respect to the commercial and institutional market sector, there is a healthy pipeline of opportunities anticipated in 2018, characterized by numerous PPP projects. As of December 31, 2017, the Company was actively pursuing seven PPP projects. In addition, there is one PPP opportunity that the Company has been shortlisted on and is awaiting the issuance of the request for proposals, and two more that the Company has responded to the request for qualification and is awaiting confirmation of the shortlist of proponents. These are all indications that the anticipated activity in this market sector is materializing generally as expected. In addition to the growth in volume of work expected from this activity, the Company anticipates that margin opportunities in this sector will also improve.

Looking towards 2018, the Company expects to benefit from its strong position in the PPP market although revenue growth in this sector will be impacted due to the extension of bid submission dates for several PPP projects. The Company is experiencing tangible progress in our diversification efforts particularly for our industrial, resource and modular service offerings. Overall, the Company anticipates moderate revenue growth in 2018 coupled with third party pursuit costs at historically high levels, a byproduct of the high level of PPP activity combined with the pursuit timeline for several of projects being extended to later in 2018. Equity income resulting from our investments in PPP projects is expected to contribute positively to the year. The Company will continue to make investments in both people and technology as it executes on the *Build Bird* strategic plan, with diversification of our earnings base remaining a key area of focus. While Management does not expect earnings in 2018 to outpace the unadjusted earnings achieved in 2016, the Company's financial performance is anticipated to improve markedly relative to 2017 as the Company continues along its path of rebuilding its earnings base.

The institutional market sector contributed 61% of 2017 revenues (56% in 2016). In the institutional sector, investment in infrastructure by the various levels of government is expected to remain a priority. The federal government has announced a number of infrastructure funding programs resulting in an increase in activity in certain sectors such as post-secondary education and public transit systems. Other funding announcements for environmental and projects specifically addressing infrastructure needs in indigenous communities have been slower to materialize. The Company is well positioned to benefit from this increase in infrastructure investment, inclusive of the numerous PPP projects. New contract awards of institutional projects slowed in the second half of 2017 primarily due to the timing and stage of procurement, with several opportunities originally scheduled to close in late 2017 now closing in 2018. The revenue and gross profit contribution in 2018 derived from the institutional sector is expected to be strong.

The industrial market sector contributed 21% of 2017 revenues (29% in 2016). Lower energy prices have resulted in a reduction in the number and size of construction opportunities in the energy sector in western Canada. We expect energy clients to focus on spending programs aimed at lowering the cost of production and on maintenance programs in 2018. Activity in the midstream oil and gas market segment has increased and will continue to offer opportunities to the Company. Renewable energy opportunities in western Canada and nuclear related work in Ontario are also emerging, with pursuit activity anticipated to increase in the year. In addition, there appears to be more positive sentiment with respect to larger scale LNG developments in BC with activity increasing, although the Company does not foresee a significant financial benefit in 2018 at this time. In eastern Canada, lower iron ore and commodity prices have resulted in a cautious approach to capital spending from mining clients, with more annual work programs being tendered as opposed to multi-year mining support contracts. Through 2017, bidding activity in the gold, lithium and iron ore sectors increased, a trend expected to continue in 2018. The Company has been successful in securing work with our core clients in the Labrador Trough region while advancing progress in the development of new clients in Quebec, Ontario and northern Canada. The environment for our industrial market will remain challenging but is anticipated to progressively improve in 2018. The Company anticipates our work program to be comprised of smaller, shorter cycle projects, secured at competitive margins but will be more diversified both geographically and in scope as we continue to advance progress on our *Build Bird* strategic plan. It is anticipated that revenue and gross profits in our industrial sector will increase in 2018 as compared to 2017 but will remain under pressure with capacity still outweighing opportunity in the market.

The retail and commercial sector contributed 18% of 2017 revenues (15% in 2016). The Company continues to secure new work in this market, although traditional retail capital investment remains slow in many geographic regions due to uncertain economic conditions. Increasingly, retail clients with property in urban centers are redeveloping these into mixed-use residential properties, of which the Company is increasingly participating in, particularly in the greater Toronto area. It is anticipated that the retail and commercial market will remain stable in 2018 with multi-story, mixed-use residential projects in urban centers for select clients comprising a larger composition of this work program.

Backlog

During 2017, the Company secured $1,467.4 million in new construction contracts (including change orders to existing contracts) and put in place $1,418.4 million of work resulting in a Backlog at December 31, 2017 of $1,186.0 million. The following table outlines the changes in the amount of the Company's Backlog throughout the current and prior fiscal years.

Backlog (in millions of Canadian dollars)		
December 31, 2015	$	1,662.8
Securement and change orders in 2016		1,064.1
Realized in construction revenues in 2016		(1,589.9)
December 31, 2016	$	1,137.0
Securement and change orders in 2017		1,467.4
Realized in construction revenues in 2017		(1,418.4)
December 31, 2017	**$**	**1,186.0**

ACCOUNTING POLICIES

The Company's significant accounting policies are outlined in the notes to the audited December 31, 2017 and 2016 Consolidated Financial Statements. The consolidated financial statements were prepared using the same accounting policies as our 2016 consolidated financial statements.

Future accounting changes

IFRS 9, Financial Instruments:
On July 24, 2014 the IASB issued the complete IFRS 9 (2014). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018, with no restatement. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company has substantially completed its analysis of the impact of IFRS 9 with the following results:

a) IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The financial assets are subsequently measured at amortized cost, fair value through profit and loss or fair value through other comprehensive income. The Company does not expect a material impact on the classification and measurement of its financial assets, as the majority are currently classified and measured at amortized cost.

b) IFRS 9 replaces the incurred loss model from IAS 39 by introducing a new 'expected credit loss' model for calculating impairment of financial assets. IFRS 9 specifies different approaches for measuring and recognizing expected credit losses, by considering only defaults in the next 12 months and/or the full remaining life of the financial asset. The expected credit loss model requires a credit loss to be reflected in profit and loss immediately after an asset or receivable is acquired, with subsequent changes in expected credit losses at each reporting date recorded to reflect any change in credit risk. IFRS 9 provides a simplified approach for certain trade receivables and IFRS 15 contract assets. As a result of adopting the new standard, the Company expects earlier recognition of provisions for credit losses which are not yet incurred. The Company has completed an analysis of its historical credit losses and does not expect a material impact on the financial statements as a result of the expected credit loss or life time credit losses to be recognized on transition to IFRS 9.

c) IFRS 9 includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The Company does not currently elect hedge accounting and is not intending to apply hedge accounting under IFRS 9 and therefore does not expect a material impact.

IFRS 15, Revenue from Contracts with Customers:
On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 will replace IAS 11 Construction contracts and IAS 18 Revenue. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property. The Company is applying the standard and the clarifications in its financial statements for the annual period beginning on January 1, 2018, with retrospective adjustment to the opening consolidated statement of financial position as at January 1, 2017. The Company intends to apply the practical expedient which does not require restatement for contracts that began and were completed within the same annual reporting period before December 31, 2017 or are completed on January 1, 2017.

The Company established an IFRS 15 planning and work group that provided regular updates to the Audit Committee. As part of the implementation project, the Company amended policies and practices, updated internal controls and educated stakeholders. The Company has completed the assessment of significant agreements and contracts with customers and has determined the expected impacts of the adoption of IFRS 15 on its consolidated financial statements. Based on the Company's assessment, the main impacts of adopting IFRS 15 are on timing of revenue recognition, determination of the transaction price, and additional disclosures. The adoption of IFRS 15 will not impact cash flows as cash will continue to be collected according to the Company's contractual terms with its customers.

Timing of revenue recognition:
The Company recognizes contract revenue in profit or loss in proportion to the stage of completion of the contract. Under the new revenue standard, revenue is recognized upon the satisfaction of the Company's performance obligations, which occurs when control of a good or service transfers to the customer. Control can transfer either at a point in time or over time. Based on our assessment, we do not expect any significant changes to the timing of revenue recognition as we believe that these methods best depict the transfer of goods and services to the customer.

Determining the transaction price:
The transaction price is the consideration that the Company expects to be entitled to in exchange for satisfying its performance obligations. This determination is more complex when the contract price is variable. Revenue related to awards or incentive payments, claims and liquidated damages might be recognized at a different time under the new standard. Claims are accounted for as variable consideration. They are included in the contract revenue using either an expected value or a most likely amount approach provided it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved. Changes to the original contract are referred to as contract modifications under IFRS 15 and variations in IAS 11, Construction Contracts ("IAS 11"). A contract variation under IAS 11 states that revenue can be recognized when it is probable the customer will approve the variation and the amount, and the amount of revenue from the variation can be reliably measured. IFRS 15 states that revenue from a contract modification can be recognized when it is approved and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the change modification is subsequently resolved. Given the higher level of probability to be applied under IFRS 15, the anticipated impact of applying IFRS 15 is that some revenue previously recognized under IAS 11 will be reversed as at January 1, 2017. Revenue from these contract modifications will be recognized when, and if, IFRS 15 guidance is met.

Construction contracts often require amounts to be retained by customers for reasons other than to provide financing. This retainage is intended to protect the customer from the contractor failing to adequately complete some or all its obligations under contract. Under the new standard, this type of retainage does not include a significant financing component and does not reflect the time value of money in the transaction price. We expect to no longer record interest income and expense relating to accretion.

Quantification of impact:
The Company expects the adoption of the standard to result in a decrease in assets of approximately $6.8 million and a decrease in liabilities of $7.0 million, with a corresponding increase to retained earnings of approximately $0.2 million net of income taxes as at January 1, 2017. The Company is in the process of determining the impact, if any, to its revenue and net income as previously reported for the year ended December 31, 2017.

Other presentations and disclosure requirements:
IFRS 15 contains presentation and disclosure requirements which are more detailed than the current standards. The presentation requirements represent a change from current practice and will increase the disclosures required in the consolidated financial statements. The Company is in the process of preparing its draft disclosures, which will be required in the first quarter of 2018 and in its annual financial statements for the year ended December 31, 2018. The Company continues to evaluate the systems, internal controls, policies and procedures necessary to collect and disclose the required information.

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

Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions:
On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company will adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration:
On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Interpretation may be applied either: retrospectively; or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after: the beginning of the reporting period in which the entity first applies the Interpretation; or the beginning of a prior reporting period presented as comparative information in the financial statements. The Company will adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the Interpretation to have a material impact on the financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments:
On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company does not expect the Interpretation to have a material impact on the financial statements.

SUMMARY OF QUARTERLY RESULTS

The table below summarizes the results for the eight most recent quarters. Although the Company experiences some seasonality in its business, variations in net income from quarter-to-quarter primarily reflect the differences in the profitability of the contracts administered in the respective quarters. Contracts typically extend over several quarters and often over several years. For purposes of quarterly financial reporting, the Company must estimate the cost required to complete each contract to assess the overall profitability of the contract and the amount of gross profit to recognize for the quarter. Such estimating includes contingencies to allow for certain known and unknown risks. The magnitude of the contingencies will depend on the nature and complexity of the work to be performed. As the contract progresses and remaining costs to be incurred and risk exposures become more certain, contingencies will typically decline or have been utilized, although certain risks will remain until the contract has been completed, and even beyond. In some cases, variations in earnings may occur where costs incurred to date may be recoverable from insurance policies or claims to clients at a future date but cannot be recorded in the current quarter until certainty of the recovery is attained. As a result, earnings may fluctuate significantly from quarter-to-quarter, depending on whether large and/or complex contracts are completed or nearing completion during the quarter, or have been completed in immediately prior quarters.

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

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

	2016				2017			
	Q1	Q2	Q3	Q4*	Q1	Q2	Q3	**Q4**
Revenue	338,294	413,195	407,663	430,716	309,755	345,881	385,090	**377,713**
Net income/(loss)	9,343	3,886	5,975	5,798	(1,141)	2,497	5,528	**4,734**
Earnings/(loss) per share	0.22	0.09	0.14	0.14	(0.03)	0.06	0.13	**0.11**

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

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

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

(in thousands of Canadian dollars)	**2017**	2016
Financial Position Data		
Cash and cash equivalents	**$ 133,055**	$ 261,876
Non-cash working capital	**(42,395)**	(143,833)
Working capital	**90,660**	118,043
Non-current loans and borrowings	**13,843**	8,623
Shareholders' equity	**158,621**	163,566

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

As a component of working capital, the Company maintains a balance of cash and cash equivalents. At December 31, 2017, this balance amounted to $133.1 million. The non-cash net current asset/liability position was in a net liability position of $42.4 million at December 31, 2017, compared to a net liability position of $143.8 million at December 31, 2016. The primary drivers of the change are the decrease in accounts payable in 2017 and payment of income taxes payable accrued in 2016 which were partially offset by increased project activity through Bird Heavy Civil, which required additional non-cash working capital. The significant reduction in accounts payable in the first quarter of 2017 compared with December 31, 2016 is due to the timing of significant collections in late December 2016 and the subsequent payment to subcontractors in January 2017. The non-cash net current asset/liability position fluctuates significantly in the normal course of business from period to period, primarily due to the timing of differences between the settlement of payables due to subcontractors and suppliers, billings and collection of receivables from clients, and also the timing in the settlement of income taxes payable. The Company's cash balances absorb these fluctuations with no net impact to the Company's net working capital position or ability to access contract surety support. The Company believes it has sufficient working capital to support its current and expected contract security requirements.

Credit Facilities

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

Operating Lines of Credit

a) *Committed revolving line of credit:*
   The Company has a committed revolving credit facility of up to $70.0 million, with a Canadian chartered bank. The term of the facility was extended and now matures December 31, 2020. This facility may be used in the normal course of business for general working capital purposes, to issue non-collateralized letters of credit, fund future capital expenditures and qualifying permitted acquisitions. At December 31, 2017, the Company has $26.4 million in letters of credit outstanding on this facility (December 31, 2016 - $nil) and has drawn $5.0 million on this facility (December 31, 2016 - $5.0 million). The $5.0 million draw is presented as loans and borrowings on the Company's statement of financial position as the facility matures in 2020.

b) *Committed revolving line of credit facility*:
   A subsidiary of the Company has a $25.0 million committed revolving credit facility, maturing on June 10, 2018. The facility may be used to finance normal course operations. Borrowings under this facility are secured by a first charge against the net assets of the subsidiary. As at December 31, 2017, the balance drawn on this facility is $nil (December 31, 2016 - $nil).

Letters of Credit Facilities

The Company has available $105.0 million of demand facilities used to primarily support the issuance of letters of credit. All letters of credit issued under these facilities are supported by the pledge of Company-owned financial instruments, including cash. At December 31, 2017, the Company has $25.0 million in letters of credit outstanding on this facility (December 31, 2016 - $34.0 million).

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

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

(in thousands of Canadian dollars)		2017		2016
Committed revolving line of credit	**$**	**70,000**	$	55,000
Letters of credit facilities	**$**	**105,000**	$	122,000
Letters of credit issued	**$**	**51,506**	$	34,028
Collateral pledged to support letters of credit	**$**	**20,253**	$	29,244
Guarantees provided by EDC	**$**	**4,891**	$	4,891

The increase in the amount of outstanding letters of credit at the end of 2017 compared to the end of 2016 is primarily the result of new letters of credit being issued with respect to the testing and performance commissioning period of the Calgary Composting Facility project, collateral associated with Total Return Swap derivative contracts and new letters of credit issued related to Niagara Falls Entertainment Centre. The Company was able to cancel the letters of credit related to Saskatchewan Schools within the year.

Equipment Financing

The Company and its subsidiaries have committed term credit facilities of up to $35.0 million to be used to finance equipment purchases. Borrowings under the facility are secured with a first charge on the equipment being financed. As of December 31, 2017, the facility has drawn $6.3 million on this facility, of which $5.8 million is outstanding (December 31, 2016 - $nil) and classified as finance leases. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears.

In addition, subsidiaries of the Company have equipment acquisition lines of credit for $42.5 million (December 31, 2016 - $62.5 million) with the financing arms of several major heavy equipment suppliers to finance the purchase of equipment. Unutilized equipment acquisition lines of credit were reduced by $20 million in the third quarter of 2017. Draws under this facility are typically recognized as operating leases for accounting purposes. At December 31, 2017, the Company has used $6.0 million under the facilities ($6.4 million at December 31, 2016). The Company's total lease commitments are outlined under Contractual Obligations.

At December 31, 2017, the Company was in compliance with all debt covenants relating to its operating and equipment lines of credit.

Loans and Borrowings

In 2017, the Company issued a new fixed-rate term loan for $2.0 million and entered into finance leases for $9.5 million to finance equipment purchases. The Company made $4.2 million in principal repayments (including finance lease repayments).

The following table provides details of outstanding debt as at December 31, 2017, and principal repayments due over the next five years, excluding the amortization of debt financing costs, finance lease liabilities and non-recourse project financing.

(in thousands of Canadian dollars)	Amount	Year 1	Year 2	Year 3	Year 4	Year 5
Loans and borrowings	$ 10,177	$ 2,479	$ 1,216	$ 5,891	$ 591	$ -

Cash Flow Data

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

(in thousands of Canadian dollars)	**2017**	2016
Cash Flow Data		
Cash flows from operations before changes in non-cash working capital	**$ 29,619**	$ 48,449
Changes in costs and estimated earnings in excess of billings - alternative finance projects	**(7,508)**	(51,756)
Changes in non-cash working capital and other	**(113,232)**	46,989
Cash flows from (used in) operating activities	**(91,121)**	43,682
Investments in associates	**(12,144)**	-
Capital distributions from associates	**803**	-
Additions to property, equipment and intangible assets	**(14,572)**	(5,602)
Proceeds on sale of property and equipment	**7,366**	853
Purchase of short-term investments	**(6,943)**	-
Proceeds from maturity of short-term investments	**6,711**	-
Other long-term assets	**(2,312)**	748
Cash flows used in investing activities	**(21,091)**	(4,001)
Dividends paid on shares	**(17,891)**	(32,297)
Proceeds from non-recourse project financing	**32,407**	44,437
Repayment of non-recourse project financing	**(27,662)**	-
Proceeds from loans and borrowings	**1,965**	506
Repayment of loans and borrowings	**(4,222)**	(9,184)
Cash flows from (used in) financing activities	**(15,403)**	3,462
Increase (decrease) in cash and cash equivalents	**$ (127,615)**	$ 43,143

Operating Activities

During 2017, cash flows from operating activities used cash of $91.1 million compared with cash generated of $43.7 million in 2016. In 2017, cash flows from operations was comprised of $29.6 million of cash generated from operating activities before changes in non-cash working capital and a $120.7 million use of cash derived from changes in non-cash working capital relating to operating activities. In 2016, the comparative amounts were $48.4 million of cash generated from operations before changes in non-cash working capital and $4.8 million use of cash derived from changes in non-cash working capital relating to operating activities. The year-over-year decrease in cash flows from operations before changes in non-cash working capital in 2017 is primarily the result of the $11.6 million net income in 2017 compared to $25.0 million net income in 2016 and the change in income tax expense year-over-year. In 2017, changes in the amount of non-cash working capital and other used cash in total of $113.2 million compared to a generation of cash of $47.0 million in 2016. The primary drivers of the change are the decrease in accounts payable in 2017 and the payment of income taxes in 2017 accrued in 2016. In 2017, billing and collection of costs and estimated earnings in excess of billings related to the Casey House project were billed and collected. The remaining use of cash is related to the Moncton Downtown Centre. Proceeds and repayments of the non-recourse debt relating to alternative finance projects are included in financing activities.

Investing Activities

During 2017, the Company used $21.1 million of cash in investing activities compared to the $4.0 million use of cash in 2016. The amount of cash used to purchase property, equipment and intangible assets in 2017 of $14.6 million which is an increase of $9.0 million compared to the $5.6 million used in 2016, and reflects contract driven equipment requirements. Of the $9.0 million increase, $6.3 million was generated through sale-leaseback transactions. The Company generated $7.4 million in cash in 2017 from the sale of property and equipment which is inclusive of $6.3 million in sale-leasebacks transactions compared with proceeds of $0.9 million in 2016. There were no sale-leaseback transactions in 2016. During 2017, the Company used $12.1 million in cash (compared to $nil used in 2016) for equity contributions primarily related to projects for which the Company has acquired a minority equity interest. A portion of the total was also used to acquire a 50% interest of Stack. Capital distributions from equity accounted investments generated cash of $0.8 million in 2017 compared to $nil in 2016. The Company also used $6.9 million to purchase short-term investments in 2017 compared to $nil used in 2016. These short-term investments matured in 2017 generating proceeds of $6.7 million.

Financing Activities

During 2017, the Company used $15.4 million of cash from financing activities compared with generated cash of $3.5 million in 2016. The increase in the amount of cash used in financing activities in 2017 is primarily a result of a repayment of non-recourse project financing of $27.7 million offset by the reduction in the amounts paid for dividends of $14.4 million and in loans and borrowings of $5.0 million. Dividend payments in 2017 were lower than 2016 due to the reduction of the 2017 monthly dividend rate to $0.0325 per share.

DIVIDENDS

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

January 1, 2016 to March 31, 2016	$0.1900
April 1, 2016 to June 30, 2016	$0.1900
July 1, 2016 to September 30, 2016	$0.1900
October 1, 2016 to December 31, 2016	$0.1900
January 1, 2017 to March 31, 2017	$0.0975
April 1, 2017 to June 30, 2017	$0.0975
July 1, 2017 to September 30, 2017	$0.0975
October 1, 2017 to December 31, 2017	**$0.0975**

CAPABILITY TO DELIVER RESULTS

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

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

CONTRACTUAL OBLIGATIONS

At December 31, 2017, the Company has future contractual obligations of $508.8 million. Obligations for accounts payable, finance and operating annual lease payments and for principal repayments, including interest, under long-term debt over the next five years are:

(in thousands of Canadian dollars)		Accounts Payable	Long-Term Debt	Finance Leases	Operating Leases	Non-recourse Project Financing	Deferred payment	Total
2018	$	373,443	2,623	2,455	5,432	64,511	436	448,900
2019		14,694	1,275	2,404	4,385	-	726	23,484
2020		2,169	6,330	2,395	4,148	-	-	15,042
2021		13	284	1,533	3,487	-	-	5,317
2022		-	-	41	3,202	-	-	3,243
Thereafter		-	-	-	12,839	-	-	12,839
	$	390,319	10,512	8,828	33,493	64,511	1,162	508,825

OFF BALANCE SHEET ARRANGEMENTS

The Company has operating lease obligations described under Contractual Obligations noted above and surety lien bonds issued on behalf of the Company valued at $24.1 million at December 31, 2017.

Further details of commitments and contingent liabilities are included in Note 22 of the December 31, 2017 consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

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

OUTSTANDING COMMON SHARE DATA AND STOCK EXCHANGE LISTING

The Company is authorized to issue an unlimited number of common shares. The Company had a total of 42,516,853 common shares outstanding at December 31, 2017 and December 31, 2016.

At December 31, 2017, 535,000 stock options are outstanding with a weighted average exercise price of $13.59 per common share. With the approval of the Equity Incentive Plan (EIP) in May 2017, the Board of Directors has resolved to suspend the stock option plan. All outstanding options will continue to vest in accordance with the term of the option and the vesting periods.

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

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based on their evaluations as of December 31, 2017, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is accumulated, summarized and communicated to the Company's senior management, including the CEO and the CFO of the Company, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

The Company's management is responsible for designing and maintaining adequate internal control over financial reporting for the Company. All internal control systems, no matter how well designed, have inherent limitations;

therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As of December 31, 2017, under the supervision of and with the participation of management, including the CEO and CFO, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

As of December 31, 2017, under the supervision of and with the participation of management, including the CEO and CFO, the Company has evaluated the effectiveness of internal controls over financial reporting and determined that the internal controls over financial reporting are operating as intended.

There have been no material changes in the Company's internal control over financial reporting during year ended December 31, 2017 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS RELATING TO THE BUSINESS

The following discussion addresses the more significant risk factors relating to the business. For a detailed discussion of all risk factors relating to the business, refer to the Company's most recently filed Annual Information Form dated March 8, 2018, which is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Economy and Cyclicality
Activity within the construction industry is generally tied to the state of the economy. Thus, in periods of strong economic growth, capital spending will generally increase and there will be more and better quality opportunities available within the construction industry. Investment decisions by our clients are based on long-term views of the economic viability of their current and future projects, sometimes based upon the clients' view of the long-term prices of commodities which are influenced by many factors. If our clients' outlook for their current and future projects is not favourable, this may lead them to delay, reduce or cancel capital project spending and may make them more sensitive to construction costs. A prolonged downturn in the economy could impact Bird's ability to generate new business or maintain a Backlog of contracts with acceptable margins to sustain Bird through such downturns.

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

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

Ability to Secure Work
Bird generally secures new contracts either through a competitive bid process or through negotiation. Awards in both the public and private sectors are generally based upon price, but are also influenced and sometimes formally based on other factors, such as the level of services offered, safety record, construction schedule, design (if applicable), project personnel, the consortium, joint venture and subcontractor team, prior experience

with the prospective client and/or the type of project, and financial strength including the ability to provide bonds and other contract security.

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

A decline in demand for Bird's services from the private sector could have an adverse impact on the Company if that business could not be replaced within the public sector. A portion of Bird's construction activity relates to government-funded institutional projects. Any reduction in demand for Bird's services by the public sector, whether as a result of funding constraints, changing political priorities or delays in projects caused by elections or other factors, could have an adverse impact on the Company if that business could not be replaced within the private sector.

Government-funded projects also typically have long and sometimes unpredictable lead times associated with government review and approval. The time delays associated with this process can constitute a risk to general contractors pursuing these projects. Certain government-funded projects, particularly PPP projects, may also require significant bid costs which can only be recovered if Bird is the successful bidder. Several governments in Canada have procured a significant value of projects under a PPP contract format, which is an attractive market for the Company. A reduction in the popularity of this procurement method or difficulties in obtaining financing for these projects would have negative consequences for Bird.

Estimating Costs and Schedules/Assessing Contract Risks

The price for most contracts performed by Bird is based, in part, on cost and schedule estimates that are subject to a number of assumptions. Erroneous assumptions can result in an incorrect assessment of risks associated with a contract or estimates of project costs and schedules that are in error, potentially resulting in lower than anticipated profit or significant. All significant cost and schedule estimates are reviewed by senior management prior to tender submission in an attempt to mitigate these risks.

Performance of Subcontractors

Successful completion of a contract by Bird depends, in large part, on the satisfactory performance of its subcontractors who are engaged to complete the various components of the work. Subcontractor defaults tend to increase during depressed market conditions. If subcontractors fail to satisfactorily perform their portion of the work, Bird may be required to engage alternate subcontractors to complete the work and may incur additional costs. This can result in reduced profits or, in some cases, significant losses on the contract and possible damage to Bird's reputation.

In addition, the ability of Bird to bid for and successfully complete projects is, in part, dependent on the availability of qualified subcontractors and trades people. Depending on the value of a subcontractor's work, Bird may require some form of performance security and achieves this through the use of surety bonds, subcontractor default insurance or other forms of security from the subcontractor to mitigate Bird's exposure to the risks associated with the subcontractor's performance and completion. A significant shortage of qualified subcontractors and trades people or the bankruptcy of a subcontractor could have a material impact on Bird's financial condition and results of operations.

Design

While many contracts entered into by Bird are for construction or construction services only, certain contracts are undertaken on a design-build basis, under which Bird is responsible for both design and construction of the project, which adds design risk assumed by Bird. While Bird subcontracts all of the design scope in such design-build contracts to reputable designers, there is generally not a full transfer of design-related risks. These risks include design development and potential resulting scope creep, delays in the design process that may adversely affect the overall project schedule, and design errors and omissions.
To manage these risks, Bird manages and oversees the design process, coordinates the design deliverables with the construction process and, for significant design-build projects, purchases errors and omissions insurance.

Maintaining Safe Work Sites

Despite Bird's efforts to minimize the risk of safety incidents, they can occur from time to time and, if and when they do, the impact on Bird can be significant. Bird's success as a general contractor is highly dependent on its ability to keep its construction work sites and offices safe and any failure to do so can have serious impact on the personal safety of its employees and others. In addition, it can expose Bird to contract termination, fines, regulatory sanctions or even criminal prosecution.

Bird's safety record and worksite safety practices also have a direct bearing on its ability to secure work, particularly in the industrial sector. Certain clients will not engage particular contractors to perform work if their safety practices do not conform to predetermined standards or if the general contractor has an unacceptably high incidence of safety infractions or incidents.

Bird adheres to very rigorous safety policies and procedures which are continually reinforced on its work sites and offices. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of Bird's operations, capital expenditure requirements, or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or incidents.

Ability to Hire and Retain Qualified and Capable Personnel

The success of Bird is highly influenced by the efforts of key members of management, including its executive officers and district managers. The loss of the services of any of Bird's key management personnel could negatively impact Bird. The future success of Bird also depends heavily on its ability to attract, retain and develop high-performing personnel in all areas of its operations.

Most firms throughout the construction industry face this challenge and, accordingly, competition for professional staff is intense. If Bird ceases to be seen by current and prospective employees as an attractive place to work, it could experience difficulty in hiring and retaining an adequate level of qualified staff. This could have an adverse effect on current operations of Bird and would limit its prospects and impair its future success.

PPP Equity Investments

In addition to providing design and construction services on certain PPP infrastructure projects, Bird also makes investments in PPP concession entities through its wholly owned subsidiary, Bird Capital Limited. In this role, Bird arranges the financing and provides equity to some of the PPP projects it develops and assumes a degree of equity risk associated with the financial performance of the asset during the concession period.

Most PPP financing is provided on a non-recourse basis with most of the risk limited to the equity participation. Bird typically holds a minority equity investment in the concession and usually expects to sell the investment in the concession soon after construction completion or shortly thereafter, when the terms of the concession investment requires the Company to hold the investment for a longer period of time. All of the concession partners are required to secure their participation at financial close with letters of credit. A concession partner becoming insolvent does not represent a risk to the concession as these letters of credit ensure no short funding occurs. If the entity providing the services to the concession and/or the service provider's guarantor become insolvent, a replacement of the insolvent entity or entities might be required. If the services cannot be provided by a new entity for the same costs, there is risk that the full-value of the concession may not be realized after the project has been constructed and is operating within contractual parameters.

Bird does not control the market for the investment, therefore there is a possibility that the value of the investment could become impaired. Also, a replacement of the contractors that perform the facility management services on these transactions exposes the equity investments to an erosion of the expected returns. This risk is partially mitigated by the security packages put in place by these contractors for each transaction. In addition, Bird may be exposed to reputational risk should the project not be delivered on time or in accordance with design specifications. Exposure to the risk of non-performance could lead to a contract termination and loss of injected equity.

TERMINOLOGY

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

- **"Gross Profit Percentage"** is the percentage derived by dividing gross profit by construction revenue. Gross profit is calculated by subtracting construction costs from construction revenue.
- **"Backlog"** (also referred to in the construction industry as "work on hand") is the total value of all contracts awarded to the Company, less the total value of work completed on these contracts as of the date of the most recently completed quarter. This includes all contracts that have been awarded to the Company whether the work has commenced or will commence in the normal course.
- **"Lost Time Incident Frequency"** is the number of lost time incidents recorded per 200,000 manhours of work by Bird employees.

FORWARD-LOOKING INFORMATION

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

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, this MD&A includes many such forward-looking statements and the Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. Risks that may impact the Company's future results, performance or achievements include those described under "Risks Relating to the Business" in this MD&A and in the Company's Annual Information Form dated March 8, 2018 filed and available on SEDAR. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise.

Management's Responsibility for Financial Reporting

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

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

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

P.A. Charette

Paul A. Charette
Chairman of the Board of Directors

W. Gingrich

Wayne R. Gingrich
CFO and Assistant Secretary

March 8, 2018

Independent Auditors' Report

To the Shareholders of Bird Construction Inc.

We have audited the accompanying consolidated financial statements of Bird Construction Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bird Construction Inc. as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed "KPMG LLP"

Chartered Professional Accountants
March 8, 2018
Winnipeg, Canada

Consolidated Statements of Financial Position
As at December 31,
(in thousands of Canadian dollars)

	Note	2017	2016
ASSETS			
Current assets:			
Cash	24	$ 114,092	$ 246,519
Bankers' acceptances and short-term deposits	24	18,963	15,357
Accounts receivable	6	374,931	391,804
Costs and estimated earnings in excess of billings		29,600	10,047
Costs and estimated earnings in excess of billings - alternative finance projects	5	73,951	66,443
Inventory		514	567
Prepaid expenses		2,519	2,688
Income taxes recoverable		6,041	9,900
Other assets	7	409	-
Total current assets		621,020	743,325
Non-current assets:			
Other assets	7	7,577	3,680
Property and equipment	9	52,397	45,517
Investments in equity accounted entities	8	12,237	-
Deferred income tax asset	12	8,615	6,737
Intangible assets	10	1,538	1,735
Goodwill	10	16,389	16,389
Total non-current assets		98,753	74,058
TOTAL ASSETS		$ 719,773	$ 817,383
LIABILITIES			
Current liabilities:			
Accounts payable		$ 388,525	$ 458,673
Deferred contract revenue		57,628	76,518
Dividends payable to shareholders		1,382	2,691
Income taxes payable		5,539	18,557
Non-recourse project financing	5	63,685	59,222
Current portion of loans and borrowings	11	4,755	2,765
Provisions	17	6,466	5,287
Other liabilities	13	2,380	1,569
Total current liabilities		530,360	625,282
Non-current liabilities:			
Loans and borrowings	11	13,843	8,623
Deferred income tax liability	12	10,151	14,726
Investments in equity accounted entities	8	-	881
Other liabilities	13	6,798	4,305
Total non-current liabilities		30,792	28,535
SHAREHOLDERS' EQUITY			
Shareholders' capital	15	42,527	42,527
Contributed surplus		1,949	1,932
Retained earnings		114,143	119,107
Accumulated other comprehensive income		2	-
Total shareholders' equity		158,621	163,566
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 719,773	$ 817,383

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

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

	Note		2017		2016
Construction revenue		$	**1,418,439**	$	1,589,868
Costs of construction			**1,343,992**		1,498,211
Gross profit			**74,447**		91,657
Income (loss) from equity accounted investments	8		**1,775**		(63)
General and administrative expenses			**(59,766)**		(58,771)
Income from operations			**16,456**		32,823
Finance income	18		**4,111**		4,523
Finance and other costs	19		**(3,678)**		(3,019)
Income before income taxes			**16,889**		34,327
Income tax expense	12		**5,271**		9,325
Net income for the year		$	**11,618**	$	25,002
Basic and diluted earnings per share	16	$	**0.27**	$	0.59

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

Consolidated Statements of Comprehensive Income
As at December 31,
(in thousands of Canadian dollars)

	Note		**2017**		2016
Net income for the year		**$**	**11,618**	$	25,002
Other comprehensive income (loss) for the year:					
Exchange differences on translating equity accounted investments	8		**2**		-
Total of items that may be reclassified to net income in subsequent periods			**2**		-
Total other comprehensive income for the year			**2**		**-**
Total comprehensive income for the year		**$**	**11,620**	$	25,002

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

Consolidated Statements of Changes in Equity
As at December 31,
(in thousands of Canadian dollars)

	Note	Shareholders' capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at December 31, 2015		$ 42,527	$ 1,962	$ 126,402	$ -	$ 170,891
Net income for the year		-	-	25,002	-	25,002
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	25,002	-	25,002
Contributions by and dividends to owners						
Stock-based compensation expense (recovery)	14	-	(30)	-	-	(30)
Dividends declared to shareholders		-	-	(32,297)	-	(32,297)
Balance at December 31, 2016		$ 42,527	$ 1,932	$ 119,107	$ -	$ 163,566
Dividends per share declared during the year ended December 31, 2016				$ 0.76		
Balance at December 31, 2016		**$ 42,527**	**$ 1,932**	**$ 119,107**	**$ -**	**$ 163,566**
Net income for the year		**-**	**-**	**11,618**	**-**	**11,618**
Other comprehensive income for the year		**-**	**-**	**-**	**2**	**2**
Total comprehensive income for the year		**-**	**-**	**11,618**	**2**	**11,620**
Contributions by and dividends to owners						
Stock-based compensation expense (recovery)	14	**-**	**17**	**-**	**-**	**17**
Dividends declared to shareholders		**-**	**-**	**(16,582)**	**-**	**(16,582)**
Balance at December 31, 2017		**$ 42,527**	**$ 1,949**	**$ 114,143**	**$ 2**	**$ 158,621**
Dividends per share declared during the year ended December 31, 2017				**$ 0.39**		

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

Consolidated Statements of Cash Flows
As at December 31,
(in thousands of Canadian dollars)

	Note	2017	2016
Cash flows from (used in) operating activities:			
Net income for the year		**$ 11,618**	$ 25,002
Items not involving cash:			
Amortization	10	**458**	692
Depreciation	9	**11,531**	9,558
Impairment of equipment	9	**-**	3,855
Impairment of leasehold improvements	9	**-**	312
(Gain) loss on sale of property and equipment		**(88)**	122
(Income) loss from equity accounted investments	8	**(1,775)**	63
Finance income	18	**(4,111)**	(4,523)
Finance and other costs	19	**3,678**	3,019
Deferred compensation plan expense and other		**1,582**	1,031
Unrealized (gain) loss on investments and other		**1,438**	23
Income tax expense	12	**5,271**	9,325
Stock-based compensation expense (recovery)	14	**17**	(30)
Cash flows from operations before changes in non-cash working capital		**29,619**	48,449
Changes in non-cash working capital relating to operating activities	24	**(99,249)**	2,409
Interest received		**1,224**	1,374
Interest paid		**(1,832)**	(1,374)
Income taxes paid		**(20,883)**	(7,176)
Cash flows from (used in) operating activities		**(91,121)**	43,682
Cash flows from (used in) investing activities:			
Investments in equity accounted entities	8	**(12,144)**	-
Capital distributions from equity accounted entities	8	**803**	-
Additions to property and equipment	9	**(14,311)**	(5,251)
Proceeds on sale of property and equipment	9	**7,366**	853
Additions to intangible assets	10	**(261)**	(351)
Purchase of short-term investments		**(6,943)**	-
Proceeds from maturity of short-term investments		**6,711**	-
Other long-term assets		**(2,312)**	748
Cash flows used in investing activities		**(21,091)**	(4,001)
Cash flows from (used in) financing activities:			
Dividends paid on shares		**(17,891)**	(32,297)
Proceeds from non-recourse project financing	5	**32,407**	44,437
Repayment of non-recourse project financing	5	**(27,662)**	-
Proceeds from loans and borrowings	11	**1,965**	506
Repayment of loans and borrowings	11	**(4,222)**	(9,184)
Cash flows from (used in) financing activities		**(15,403)**	3,462
Net increase (decrease) in cash and cash equivalents during the year		**(127,615)**	43,143
Effects of foreign exchange on cash balances		**(1,206)**	(23)
Cash and cash equivalents, beginning of the year		**261,876**	218,756
Cash and cash equivalents, end of the year	24	**$ 133,055**	$ 261,876

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

1. Structure of the Company

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

The Company, through its subsidiaries and interests in joint arrangements carries on business as a general contractor with offices in St. John's, Wabush, Halifax, Saint John, Montreal, Ottawa, Toronto, Winnipeg, Calgary, Edmonton and Vancouver. The Company focuses primarily on projects in the industrial, mining, commercial and institutional sectors of the general contracting industry. The Company serves clients in the industrial, mining, institutional, retail, commercial, multi-tenant residential, light industrial, and renovation and restoration sectors using fixed priced, design-build, unit price, cost reimbursable, guaranteed upset price and construction management contract delivery methods. The operating segments of the Company are aligned with the Company's geographic operations, and are reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company. Management applies judgment in the aggregation of the Company's operating segments and has determined that the Company operates in one reportable segment being the general contracting sector of the construction industry. The Company's operating segments have similar economic characteristics in that each of the Company's operating districts provides comparable construction services, use similar contracting methods, have similar long term economic prospects, share similar cost structures and operate in similar regulatory environments.

2. Basis of preparation

(a) Authorization of financial statements:
These consolidated financial statements were authorized for issue on March 8, 2018 by the Company's Board of Directors.

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

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies

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

(a) Consolidation:

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

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

Company:	**2017**	2016
	Ownership/Voting Interest	
Fully consolidated subsidiaries		
Bird Construction Inc.	**100%**	100%
Bird Construction Company Limited	**100%**	100%
Bird Construction Company (Limited Partnership)	**100%**	100%
Bird Management Ltd.	**100%**	100%
Bird Design - Build Limited	**100%**	100%
Bird Capital Limited	**100%**	100%
Bird Capital Limited Partnership	**100%**	100%
Bird Industrial Group Limited	**100%**	100%
Bird Design-Build Construction Inc.	**100%**	100%
Westrac Resources Ltd.	**100%**	100%
Westrac Resources Limited Partnership	**100%**	100%
Bird Construction Group (Limited Partnership)	**100%**	100%
Bird Construction Group Limited	**100%**	100%
Bird General Contractors Ltd. (Formerly H.J. O'Connell, Limited)	**100%**	100%
Bird Civil et mines Ltée (Formerly Les Enterprises de Construction de Québec Ltée)	**100%**	100%
Bird Heavy Civil Ltd. (Formerly H.J. O'Connell Construction Ltd.)	**100%**	100%
Nason Contracting Group Ltd.	**100%**	100%
Bird Casey House Limited Partnership	**100%**	100%
Bird Capital MDC Project Co. Inc.	**100%**	100%
Bird Construction Industrial Services Ltd.	**100%**	100%
Bird Construction Group Ltd.	**100%**	100%
NCGL Industrial Ltd.	**100%**	100%
NCGL Construction Ltd.	**100%**	100%
BFL Fabricators Ltd.	**100%**	100%
Canadian Consulting Group Limited	**100%**	100%
Innovative Trenching Solutions Ltd.	**100%**	n/a
Innovative Trenching Solutions Field Services Ltd.	**100%**	n/a
Proportionately consolidated joint arrangements		
IKC-ONE Partnership	**40%**	40%
Restigouche Hospital Centre Joint Venture	**30%**	30%
HJOC-VPDL Placentia Bridge Joint Venture	**50%**	50%
Arctic-Bird Construction Joint Venture	**50%**	50%
Maple Reinders-Nason Joint Venture	**50%**	50%
Bird Kiewit Joint Venture	**60%**	60%
Bird/Wright Schools Joint Venture	**70%**	70%
Bird/Wright Schools 2 Joint Venture	**70%**	70%
Bird - Clark Stanton JV	**50%**	50%
Bird-Civeo Joint Venture	**60%**	60%
Pomerleau/O'Connell JV	**50%**	50%
Bird - Maple Reinders JV	**50%**	n/a

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

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

Company:	**2017** Ownership/Voting Interest	2016 Ownership/Voting Interest
Equity accounted investment in associates/joint ventures		
Chinook Resources Management General Partnership	**50%**	50%
Plenary Infrastructure ERMF GP	**10%**	10%
Joint Use Mutual Partnership #1	**20%**	20%
Joint Use Mutual Partnership #2	**20%**	20%
Boreal Health Partnership	**25%**	25%
Nillik Construction Limited Partnership	**69.99%/33.33%**	69.99%/33.33%
Harbour City Solutions General Partnership	**20%**	n/a
Niagara Falls Entertainment Partners	**20%/16.2%**	n/a
Stack Modular Structures Ltd.	**50%**	n/a
Stack Modular Structures Hong Kong Limited	**50%**	n/a

All of the above subsidiaries, joint arrangements, joint ventures and associates are incorporated or registered in Canada except Stack Modular Structure Hong Kong Limited which is incorporated and registered in Hong Kong.

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

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

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

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

(d) Inventory:

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

(e) Property and equipment:

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

i. Diminishing balance method:

Buildings	5% and 10%
Equipment, trucks and automotive	20% - 40%
Heavy equipment	hours of use
Furniture, fixtures and office equipment	20% - 55%

ii. Straight-line method:

Leasehold improvements	over the lease term

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

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

(f) Foreign currency translation:

Foreign currency transactions:

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

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

Translation of equity accounted foreign entities:

Assets and liabilities of equity accounted foreign entities are translated from the functional currency to the Company's presentation currency at the closing rate at the end of the reporting period. The consolidated statements of income are translated at exchange rates at the dates of the transactions or at the average rate if it approximates the actual rates. All resulting exchange differences are recognized in other comprehensive income.

(g) Income taxes:

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

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

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

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

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

(j) Equity incentive plan:
The Company implemented an Equity Incentive Plan ("EIP") as part of the Company's executive compensation plan. The purpose of the EIP is to provide certain officers and employees of the Company with the opportunity to be granted performance share units ("PSUs") or time-based restricted share units ("RSUs", and together with PSUs, the "Units"). The EIP is a full-value share unit plan using the value of the Company's shares as the basis for the Units. In the case of the PSUs, the amount of award payable at the end of the vesting period will be determined by a performance multiplier. Under the EIP, the Company is entitled, in its sole discretion, to settle the Units in either cash or the Company's Shares purchased on the TSX or issued from treasury, or a combination thereof. The Company intends to settle the EIP in cash.

As a cash-settled compensation arrangement, the fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities over the vesting period. The Units will vest and be settled on their issue date, which will be no later than December 31 in the third year following the date of grant, or in accordance with the EIP, participant's award agreement, or the Company's discretion. The liabilities for this plan are computed based on the estimated number of Units expected to vest at the end of the vesting period. The Units earn notional dividends, equivalent to actual dividends declared on the Company's shares. The liability is remeasured at each reporting date at fair value with changes in fair value recognized in income. The fair value of the Units outstanding at the end of a reporting period is measured based on the quoted market price of the Company's shares, with PSU's also adjusted by a performance multiplier. Compensation expense relating to the initial award, notional dividends and changes in the market price of the Units is recognized on a straight-line basis over the vesting period.

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

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

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

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

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

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

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

The Company has not classified any financial assets or liabilities as held-to-maturity or available-for-sale (see note 25).

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

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

The Company uses Total Return Swap ("TRS") derivative contracts for the purpose of managing its exposure to changes in the fair value of its MTIP, EIP and DSU share-based compensation plans due to changes in the fair value of the Company's common shares. Derivatives are initially recognized at fair value when a derivative contract is entered into and are subsequently remeasured at their fair value. The TRS derivative contracts are not designated as a hedge, and changes in the fair market value are recorded as compensation expense in the statements of income.

(n) Goodwill:
Goodwill that arises on the acquisition of subsidiaries is presented separately on the statement of financial position. For the measurement of goodwill at initial recognition refer to note 3(t). Subsequently, goodwill is measured at cost less any accumulated impairment losses.

(o) Intangible assets:
Intangible assets with finite lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss over the estimated useful lives as noted below. The estimated useful lives for the current and comparative periods are as follows:

i. Straight-line method:

Software	2 – 5 years

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

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

Provisions include:

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

(q) Impairment:

Property and equipment

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

Intangible assets and goodwill

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

(r) Joint arrangements:

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

(s) Finance income and finance costs:

Finance income comprises interest earned on cash and cash equivalents, interest accretion on holdbacks receivable, gains/losses on disposal of investments and changes in the fair value of financial assets classified as fair value through profit and loss. Interest income is recognized as it accrues in the income statement. Interest income related to holdbacks receivable is recognized in the income statement using the effective interest rate method.

Finance costs comprise interest expense related to accretion on holdbacks payable, the net gain or loss on interest rate swaps, interest associated with total return swaps and interest on loans and borrowings, including non-recourse project financing, using the effective interest rate method.

(t) Business combinations:
The Company uses the acquisition method of accounting for business combinations. The consideration transferred includes the fair value of the assets transferred to acquire a subsidiary, the liabilities assumed and the fair value of any equity interest issued by the Company. Acquisition related costs are expensed as incurred. Any excess of the fair value of the consideration transferred over the Company's share of the fair value of net identifiable assets acquired, all measured as of the acquisition date, is recorded as goodwill. If the fair value of the consideration transferred is less than the fair value of the net identifiable assets acquired, such as in the case of a bargain purchase, the difference is recognized directly in profit or loss.

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

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

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

4. Future accounting changes

A number of new standards and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements.

IFRS 9, Financial Instruments:
On July 24, 2014 the IASB issued the complete IFRS 9 (2014). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018, with no restatement. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company has substantially completed its analysis of the impact of IFRS 9 with the following results:

a) IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The financial assets are subsequently measured at amortized cost, fair value through profit and loss or fair value through other comprehensive income. The Company does not expect a material impact on the classification and measurement of its financial assets, as the majority are currently classified and measured at amortized cost.

b) IFRS 9 replaces the incurred loss model from IAS 39 by introducing a new 'expected credit loss' model for calculating impairment of financial assets. IFRS 9 specifies different approaches for measuring and recognizing expected credit losses, by considering only defaults in the next 12 months and/or the full remaining life of the financial asset. The expected credit loss model requires a credit loss to be reflected in profit and loss immediately after an asset or receivable is acquired, with subsequent changes in expected credit losses at each reporting date recorded to reflect any change in credit risk. IFRS 9 provides a simplified approach for certain trade receivables and IFRS 15 contract assets. As a result of adopting the new standard, the Company expects earlier recognition of provisions for credit losses which are not yet incurred. The Company has completed an analysis of its historical credit losses and does not expect a material impact on the financial statements as a result of the expected credit loss or life time credit losses to be recognized on transition to IFRS 9.

c) IFRS 9 includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The Company does not currently elect hedge accounting and is not intending to apply hedge accounting under IFRS 9 and therefore does not expect a material impact.

IFRS 15, Revenue from Contracts with Customers:

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 will replace IAS 11 Construction contracts and IAS 18 Revenue. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property. The Company is applying the standard and the clarifications in its financial statements for the annual period beginning on January 1, 2018, with retrospective adjustment to the opening consolidated statement of financial position as at January 1, 2017. The Company intends to apply the practical expedient which does not require restatement for contracts that began and were completed within the same annual reporting period before December 31, 2017 or are completed on January 1, 2017.

The Company established an IFRS 15 planning and work group that provided regular updates to the Audit Committee. As part of the implementation project, the Company amended policies and practices, updated internal controls and educated stakeholders. The Company has completed the assessment of significant agreements and contracts with customers and has determined the expected impacts of the adoption of IFRS 15 on its consolidated financial statements. Based on the Company's assessment, the main impacts of adopting IFRS 15 are on timing of revenue recognition, determination of the transaction price, and additional disclosures. The adoption of IFRS 15 will not impact cash flows as cash will continue to be collected according to the Company's contractual terms with its customers.

Timing of revenue recognition:
The Company recognizes contract revenue in profit or loss in proportion to the stage of completion of the contract. Under the new revenue standard, revenue is recognized upon the satisfaction of the Company's performance obligations, which occurs when control of a good or service transfers to the customer. Control can transfer either at a point in time or over time. Based on our assessment, we do not expect any significant changes to the timing of revenue recognition as we believe that these methods best depict the transfer of goods and services to the customer.

Determining the transaction price:
The transaction price is the consideration that the Company expects to be entitled to in exchange for satisfying its performance obligations. This determination is more complex when the contract price is variable. Revenue related to awards or incentive payments, claims and liquidated damages might be recognized at a different time under the new standard. Claims are accounted for as variable consideration. They are included in the contract revenue using either an expected value or a most likely amount approach provided it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved. Changes to the original contract are referred to as contract modifications under IFRS 15 and variations in IAS 11, Construction Contracts ("IAS 11"). A contract variation under IAS 11 states that revenue can be recognized when it is probable the customer will approve the variation and the amount, and the amount of revenue from the variation can be reliably measured. IFRS 15 states that revenue from a contract modification can be recognized when it is approved and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the change modification is subsequently resolved. Given the higher level of probability to be applied under IFRS 15, the anticipated impact of applying IFRS 15 is that some revenue previously recognized under IAS 11 will be reversed as at January 1, 2017. Revenue from these contract modifications will be recognized when, and if, IFRS 15 guidance is met.

Construction contracts often require amounts to be retained by customers for reasons other than to provide financing. This retainage is intended to protect the customer from the contractor failing to adequately complete some or all its obligations under contract. Under the new standard, this type of retainage does not include a significant financing component and does not reflect the time value of money in the transaction price. We expect to no longer record interest income and expense relating to accretion.

Quantification of impact:
The Company expects the adoption of the standard to result in a decrease in assets of approximately $6,800 and a decrease in liabilities of $7,000, with a corresponding increase to retained earnings of approximately $200, net of income taxes as at January 1, 2017. The Company is in the process of determining the impact, if any, to its revenue and net income as previously reported for the year ended December 31, 2017.

Other presentations and disclosure requirements:
IFRS 15 contains presentation and disclosure requirements which are more detailed than the current standards. The presentation requirements represent a change from current practice and will increase the disclosures required in the consolidated financial statements. The Company is in the process of preparing its draft disclosures, which will be required in the first quarter of 2018 and in its annual financial statements for the year ended December 31, 2018. The Company continues to evaluate the systems, internal controls, policies and procedures necessary to collect and disclose the required information.

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

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

Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions:
On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company will adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration:
On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Interpretation may be applied either: retrospectively; or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after: the beginning of the reporting period in which the entity first applies the Interpretation; or the beginning of a prior reporting period presented as comparative information in the financial statements. The Company will adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the Interpretation to have a material impact on the financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments:
On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company does not expect the Interpretation to have a material impact on the financial statements.

5. Design Build Finance Projects

The following table provides details of costs and estimated earnings in excess of billings – alternative finance projects as at December 31, 2017:

	Casey House	Moncton Downtown Centre	**Total**
Balance December 31, 2016	$ 24,437	$ 42,006	**$ 66,443**
Changes in non-cash working capital relating to alternative finance projects	(24,437)	31,945	**7,508**
Balance December 31, 2017	$ -	$ 73,951	**$ 73,951**

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

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

	Casey House		Moncton Downtown Centre		
	Loan Facility	Interest Rate Swap	Loan Facility	Interest Rate Swap	**Total**
Balance December 31, 2016	$ 26,896	$ -	$ 32,334	$ (8)	**$ 59,222**
Proceeds	766	-	31,641	-	**32,407**
Repayment of debt	(27,662)	-	-	-	**(27,662)**
Change in fair value of interest rate swap	-	-	-	(282)	**(282)**
Balance December 31, 2017	$ -	$ -	$ 63,975	$ (290)	**$ 63,685**

(a) Casey House

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

ii. Restricted cash:
The terms of the debt financing agreement require that scheduled loan advances be deposited into a blocked bank account, which cannot be accessed directly by the Company. Upon recommendation by the lender's technical advisor, cash is released monthly based on the progress of the work (note 24).

iii. Costs and estimated earnings in excess of billings:
Of the $73,951 costs and estimated earnings in excess of billings as at December 31, 2017, $nil relates to the Casey House project (December 31, 2016 - $24,437). The project obtained substantial completion during the second quarter of 2017 and has billed according to contract.

iv. Loan payable:
The Company had arranged a $29,057 loan facility related to the project, of which $nil is outstanding at December 31, 2017 (December 31, 2016 - $26,896). The project obtained substantial completion during the second quarter of 2017 and the loan was repaid in full.

Interest is paid monthly in arrears. Borrowings under the facility bear interest at a rate per annum equal to the bankers' acceptance rate plus a spread. As part of the loan facility, the Company entered into an interest rate swap agreement that effectively fixed the interest rate at 2.06%. The interest rate swap was executed on March 5, 2015 and expired on October 31, 2016. The notional amounts of the interest rate swap agreement matched the estimated draws under the loan facility. The interest rate swap agreement is not designated as a hedge, and changes in the fair market value are recorded in the statement of income. At December 31, 2017, the interest rate swap liability is $nil (December 31, 2016 – $nil). An upfront arrangement fee of 0.95% on the total commitment was paid on financial close, and a commitment fee of 0.3% is also payable monthly on the unutilized portion of the facility. Interest expense on the loan in the year ended December 31, 2017 of $201 (December 31, 2016 - $384) is included in finance costs.

(b) Moncton Downtown Centre

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

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

ii. Restricted cash:
The terms of the debt financing agreement require that scheduled loan advances be deposited into a blocked bank account, which cannot be accessed directly by the Company. Upon recommendation by the lender's technical advisor, cash is released monthly based on the progress of the work (note 24).

iii. Costs and estimated earnings in excess of billings:
Of the $73,951 costs and estimated earnings in excess of billings as at December 31, 2017, $73,951 relates to the Moncton Downtown Centre project (December 31, 2016 - $42,006). The cost and estimated earnings in excess of billings balance will continue to increase throughout the project until a contract payment is made to the Company following substantial completion of the project.

iv. Loan payable:
The Company has arranged a $77,478 loan facility related to the project, of which $63,975 has been drawn at December 31, 2017 (December 31, 2016 - $32,334). The loan is repayable in full, upon substantial completion of the project, from the proceeds of the fixed price build-finance contract payment. The scheduled substantial completion date is in 2018. In the event of a default in payment for the construction work upon substantial completion, including interim interest costs, the lender has recourse only against assets related to this project, which have been segregated in a wholly-owned subsidiary of the Company.

Interest is paid monthly in arrears. Borrowings under the facility bear interest at a rate per annum equal to the bankers' acceptance rate plus a spread. As part of the loan facility, the Company entered into an interest rate swap agreement that effectively fixes the interest rate at 1.89%. The interest rate swap was executed on September 30, 2015 and expires on July 31, 2018. The notional amounts of the interest rate swap agreement matched the estimated draws under the loan facility. The interest rate swap agreement is not designated as a hedge, and changes in the fair market value are recorded in the statement of income. At December 31, 2017, the interest rate swap asset of $290 (December 31, 2016 – interest rate swap asset $8) has been included in non-recourse project financing on the consolidated statement of financial position. An upfront arrangement fee of 0.85% on the total commitment was paid on financial close, and a commitment fee of 0.21% is also payable monthly on the unutilized portion of the facility. Interest expense on the loan in the year ended December 31, 2017 of $951 (December 31, 2016 - $415) is included in finance costs.

6. Accounts receivable

		2017		2016
Progress billings on construction contracts	**$**	**237,372**	$	265,379
Holdbacks receivable (due within one operating cycle)		**129,703**		120,531
Other		**7,856**		5,894
	$	**374,931**	$	391,804

Accounts receivable are reported net of an allowance for doubtful accounts of $1,672 as at December 31, 2017 ($1,524 – December 31, 2016).

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

At December 31, 2017, aggregate costs incurred under open construction contracts and recognized profits, net of recognized losses, amounted to $1,436,156 (December 31, 2016 - $1,162,703). Progress billings and advances received from customers under open construction contracts amounted to $1,390,233 (December 31, 2016 - $1,162,731).

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

7. Other assets

	2017	2016
Subcontractor/Supplier insurance deposits	$ **4,846**	$ 3,680
Notes receivable	**1,145**	-
Total return swap derivatives	**1,995**	-
Other assets	**7,986**	3,680
Less: current portion - Total return swap derivatives	**409**	-
Non-current portion	$ **7,577**	$ 3,680

Subcontractor/Supplier insurance deposits relate to the Company's insurance policies which provides Bird with comprehensive coverage, subject to a deductible, in respect of subcontractor or supplier default on certain projects where the subcontractor or supplier is enrolled in the program. As at December 31, 2017, the funds held by the Company's subcontractor insurance providers amounted to $4,846 (December 31, 2016 - $3,680).

The Company entered into Total Return Swap ("TRS") derivative contracts for the purpose of managing its exposure to changes in the fair value of its MTIP, EIP and DSU share-based compensation plans (note 14(b)), due to changes in the fair value of the Company's common shares. Derivatives are initially recognized at fair value when a derivative contract is entered into and are subsequently remeasured at their fair value. The TRS derivative contracts are not designated as a hedge, and changes in the fair market value are recorded as compensation expense in the statement of income (note 14(b)). As at December 31, 2017, the Company recorded a derivative asset of $1,995 (December 31, 2016 – $nil).

8. Projects and entities accounted for using the equity method

The Company performs some construction and concession related projects through non-consolidated entities. The Company's participation in these entities is conducted through joint ventures and associates and is accounted for using the equity method. The Company has a joint venture interest in Stack Modular group of companies, and is accounting for these investments using the equity method. The Company's joint ventures and associates are private entities and there is no quoted market value available for their shares.

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

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

	December 31, 2017		
	Joint Ventures	**Associates**	**Total**
Total current assets	**$ 168,370**	**$ 347,456**	**$ 515,826**
Total non-current assets	**307,951**	**169,401**	**477,352**
Total assets	**476,321**	**516,857**	**993,178**
Total current liabilities	**30,888**	**305,129**	**336,017**
Total non-current liabilities	**426,102**	**178,650**	**604,752**
Total liabilities	**456,990**	**483,779**	**940,769**
Net assets (liabilities) - 100%	**$ 19,331**	**$ 33,078**	**$ 52,409**
Attributable to the Company	**$ 8,929**	**$ 3,308**	**$ 12,237**
Revenue	**$ 192,150**	**$ 118,418**	**$ 310,568**
Total comprehensive income (loss)	**$ 3,711**	**$ 8,741**	**$ 12,452**
Attributable to the Company	**$ 901**	**$ 874**	**$ 1,775**

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

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

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

Projects and entities accounted for using the equity method - December 31, 2015	$	(818)
Share of net income (loss) for the year		(63)
Distributions from projects and entities accounted for using the equity method		-
Projects and entities accounted for using the equity method - December 31, 2016		(881)
Share of net income (loss) for the year		1,775
Share of other comprehensive income (loss) for the year		2
Distributions from projects and entities accounted for using the equity method		(803)
Contributions to projects and investment in entities accounted for using the equity method		12,144
Projects and entities accounted for using the equity method - December 31, 2017	$	12,237

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

The carrying amount of investments in equity accounted entities may not always equal the Company's share of the net assets or net liabilities of these joint ventures and associates, due to fair value adjustments including goodwill, and the timing of capital contributions or distributions in accordance with contract terms.

Transactions with these related parties are described in note 23 in the financial statements. Amounts committed for future capital injections to concession entities are described in note 22 (a) in the financial statements.

In the financial statements of the joint ventures and associates, liabilities at December 31, 2017 include non-recourse debt associated with Boreal Health Partnership ("BHP"). The parent company of a non-related 50% equity investor in BHP that has provided a guarantee associated with the equity investor, who is also the parent company of the entity contracted to provide maintenance services on completion of the Stanton Territorial Hospital PPP project ("STH Project"), has become insolvent. Consequently, in January 2018, a default occurred under the non-recourse debt agreement between BHP and the project lender. Under the terms of the agreement, the default can be cured if BHP provides the lender with a satisfactory replacement guarantee and, if necessary, replaces the maintenance services provider. A third party has announced that it has entered into an agreement to acquire, among other things, the services agreement. An extension has been granted by the lender through mid-March 2018 to remedy the matter, and BHP is in negotiations with the lender to cure the default under the non-recourse debt agreement. The Company is committed to contribute $4,000 to BHP as part of its 25% interest in BHP. The Company is also a 50% investor in a joint operation that is providing design and construction services to BHP for the STH Project. The Company does not believe that the resolution of these matters will have a material effect on the consolidated financial statements.

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

9. Property and equipment

		2017						
		Land	Buildings	Leasehold improvements	Equipment, trucks and automotive	Furniture and office equipment		Total
Cost								
Balance January 1, 2017	$	**1,681**	**12,396**	**7,765**	**85,672**	**2,182**	$	**109,696**
Additions		**40**	**1,050**	**921**	**14,088**	**123**		**16,222**
Additions under finance leases		**53**	**-**	**-**	**9,414**	**-**		**9,467**
Disposals		**-**	**-**	**(1,331)**	**(13,523)**	**(11)**		**(14,865)**
Balance December 31, 2017	$	**1,774**	**13,446**	**7,355**	**95,651**	**2,294**	$	**120,520**
Accumulated depreciation								
Balance January 1, 2017	$	**-**	**4,349**	**4,220**	**54,023**	**1,587**	$	**64,179**
Disposals		**-**	**-**	**(1,331)**	**(6,247)**	**(9)**		**(7,587)**
Depreciation expense		**-**	**816**	**436**	**10,129**	**150**		**11,531**
Balance December 31, 2017	$	**-**	**5,165**	**3,325**	**57,905**	**1,728**	$	**68,123**
Net book value	$	**1,774**	**8,281**	**4,030**	**37,746**	**566**	$	**52,397**

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

The statement of cash flows for the year ended December 31, 2017 excludes additions of equipment totaling $9,467 (December 31, 2016 - $685) leasehold improvements $861 (December 31, 2016 - $nil) and buildings $1,050 (December 31, 2016 - $nil) acquired and financed by finance leases, lessor inducements and other liabilities, respectively.

During the year ended December 31, 2017, the Company purchased, sold, and finance leased back equipment totalling $6,337 (December 31, 2016 - $nil).

The carrying value of equipment, trucks and automotive held under finance leases at December 31, 2017 is $10,747 (December 31, 2016 - $2,376).

Impairment of property and equipment:

There were no events or circumstances requiring an impairment loss to be recognized in the year ended December 31, 2017.

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

For the year ended December 31, 2016, a wholly owned subsidiary of the Company recorded an impairment on its leasehold improvements of $312 related to vacating a leased office.

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

10. Intangible assets and goodwill

	2017	
	Computer software	Goodwill
Cost		
Balance January 1, 2017	$ **5,989**	**$ 30,540**
Additions	**261**	**-**
Disposals	**-**	**-**
Balance December 31, 2017	$ **6,250**	**$ 30,540**
Accumulated amortization		
Balance January 1, 2017	$ **4,254**	**$ 14,151**
Disposals	**-**	**-**
Amortization expense	**458**	**-**
Balance December 31, 2017	$ **4,712**	**$ 14,151**
Net book value	$ **1,538**	**$ 16,389**

	2016	
	Computer software	Goodwill
Cost		
Balance January 1, 2016	$ 5,647	$ 30,540
Additions	351	-
Disposals	(9)	-
Balance December 31, 2016	$ 5,989	$ 30,540
Accumulated amortization		
Balance January 1, 2016	$ 3,571	$ 14,151
Disposals	(9)	-
Amortization expense	692	-
Balance December 31, 2016	$ 4,254	$ 14,151
Net book value	$ 1,735	$ 16,389

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

Goodwill		**2017**		2016
Rideau districts	$	**9,294**	$	9,294
Nason district		**7,095**		7,095
	$	**16,389**	$	16,389

The recoverable amounts for the Rideau and Nason cash generating units ("CGU") were determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management covering a three-year period. Significant assumptions used in the calculation of value in use were the level of new awards, the construction gross margin percentage, the level of operating and capital costs, the discount rate and the terminal value growth rate. Budgeted net income was based on expectation of future outcomes taking into account past experience, the Company's annual business plan and the Company's strategic plan adjusted for a number of weighted probabilities based on current economic conditions. Cash flows for the remaining periods were extrapolated using nominal growth rates. An after-tax discount rate of 10.3%, which is based on a market-based cost of capital, was applied in determining the recoverable amounts. A sensitivity analysis was conducted as part of the annual impairment test, to stress test the key assumptions. With all other variables held constant, the carrying amount of the Nason CGU may exceed the recoverable amount if the projected profit before tax is lower by 28%, or if the after-tax discount rate is increased by 3.7%.

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

A. Letters of credit facilities:

The Company has authorized operating lines of credit totaling $105,000 with two Canadian chartered banks, maintained for the primary purpose of issuing letters of credit. At December 31, 2017, the lines were drawn for outstanding letters of credit of $25,060 (December 31, 2016 - $34,028).

The Company has an agreement with Export Development Canada (EDC) to provide performance security guarantees for letters of credit issued by financial institutions on behalf of the Company. The Company can only use this facility when letters of credit have been issued as contract security for projects that meet the EDC criteria. EDC has issued performance security guarantees totaling $4,891 (December 31, 2016 - $4,891).

The letters of credit represent performance guarantees primarily issued in connection with design-build construction contracts related to Public Private Partnership projects and other major construction projects. These letters of credit are supported through the hypothecation of certain financial instruments having a market value at December 31, 2017 of $20,253 (December 31, 2016 - $29,244).

		Expiry date						
		2018	2019 to 2021	2022 and greater		**December 31, 2017**		December 31, 2016
Letters of credit	$	22,508	2,552	-	**$**	**25,060**	$	34,028

B. Committed revolving operating credit facilities:

i. A subsidiary of the Company has a committed revolving credit facility for $25,000 to be used to finance normal course operations. As at December 31, 2017, the subsidiary has drawn $nil (December 31, 2016 - $nil) on this facility (see note 24). Borrowings under the facility are secured by a first priority ranking security interest over the net assets of the subsidiary. Borrowings are limited to 100% of the net receivables less net payables of the subsidiary. Interest is charged at a rate per annum equal to the Canadian prime rate. The facility expires on June 10, 2018. The subsidiary is in compliance with the debt-to-equity covenant of this facility.

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

ii. The Company has a committed revolving credit facility up to $70,000. The term of the facility matures December 31, 2020. As part of the agreement, the Company continues to provide a general secured interest in the assets of the Company. At December 31, 2017, the Company has $26,446 letters of credit outstanding on the facility (December 31, 2016 – $nil) and has drawn $5,000 on the facility (December 31, 2016 - $5,000). The full amount is recorded as non-current, as the facility is due and payable December 31, 2020. Borrowings under the facility bear interest at a rate per annum equal to the Canadian prime rate plus a spread. A commitment fee of 0.25% is due on the unutilized portion of the facility. The Company is in compliance with the working capital, minimum equity and debt-to-equity covenants of this facility.

	Expiry date				
	2018	2019 to 2021	2022 and greater	**December 31, 2017**	December 31, 2016
Letters of credit	$ 26,446	-	-	**$ 26,446**	$ -

C. Equipment facilities:

i. The Company and its subsidiaries have committed term credit facilities of up to $35,000 to be used to finance equipment purchases. Borrowings under the facility are secured by a first charge against the equipment financed using the facility. As of December 31, 2017, the Company has drawn $6,337 on this facility, of which $5,823 is outstanding (December 31, 2016 - $nil) and classified as finance leases. Interest on the facility can be charged at a fixed rate based on the Bank of Canada bond rate plus a spread. Interest is paid monthly in arrears.

ii. The Company and its subsidiaries obtained multiple fixed interest rate term loans which have been used to finance equipment purchases. The maturity dates of term loans outstanding at December 31, 2017 range from 2018 to 2021, and had an initial principal amount totaling $10,409. These term loans bear interest at a range of fixed rates from 2.40% to 3.42%. Principal repayments and interest are payable monthly and these term loans are secured by specific equipment of the Company and its subsidiaries.

iii. The Company and its subsidiaries obtained a variable interest rate term loan which has been used to finance equipment purchases. The term loan outstanding at December 31, 2017 had an initial principal amount of $2,645, and matures in 2018. This loan bears interest at a variable rate of 2.37%. Principal repayments and interest are payable monthly and this term loan is secured by specific equipment of the Company and its subsidiaries.

iv. Subsidiaries of the Company have established operating lease lines of credit of $42,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. Draws under these facilities are generally recognized as operating leases, with the lease obligations being secured by the specific leased equipment (see note 21). At December 31, 2017, the subsidiaries had used $6,041 under these facilities.

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

E. Finance lease liabilities:
Finance leases relate to construction and automotive equipment and mature between January 2018 and February 2022, and bear interest at the 30-day bankers' acceptance rate plus a spread. The Corporation has the option to purchase the construction and automotive equipment under lease at the conclusion of the lease agreements.

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

The following table provides details of the outstanding Loans and Borrowings as at December 31, 2017.

	Maturity	Interest rate			**December 31, 2017**		December 31, 2016
Revolving credit facility B(ii)	December 31, 2020	Variable	3.10%	**$**	**5,000**	$	5,000
Equipment financing							
Term loans C(ii)	2018 to 2021	Fixed	2.40% to 3.42%		**4,381**		4,490
Term loans C(iii)	2018	Variable	2.37%		**419**		948
Term loan (D)	September 28, 2020	Fixed	2.12%		**377**		397
					10,177		10,835
Finance lease liabilities (E), C(i)					**8,421**		553
					18,598		11,388
Less: current portion of long-term debt					**2,479**		2,410
Less: current portion of finance lease liabilities					**2,276**		355
Current portion of loans and borrowings					**4,755**		2,765
Non-current portion of loans and borrowings				**$**	**13,843**	$	8,623

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

		Property & Equipment Financing	Revolving Credit Facility	Finance Leases		Total
Balance December 31, 2016	$	5,835	5,000	553	$	**11,388**
Proceeds		1,965	-	9,467		**11,432**
Repayment		(2,623)	-	(1,599)		**(4,222)**
Amortization		-		-		**-**
Balance December 31, 2017	$	5,177	5,000	8,421	$	**18,598**

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

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

		Equipment and Operating Financing	Revolving Credit Facility	Finance Leases		Total
Within 1 year	$	2,479	-	2,455	$	4,934
Year 2		1,216	-	2,404		3,620
Year 3		891	5,000	2,395		8,286
Year 4		591	-	1,533		2,124
Year 5		-	-	41		41
More than 5 years		-		-		-
		5,177	5,000	8,828		19,005
Less interest		-	-	(407)		(407)
		5,177	5,000	8,421	$	18,598

12. Income taxes

		2017		2016
Provision for income taxes				
Income tax expense (recovery) is comprised of:				
Current income taxes	**$**	**11,724**	$	18,713
Deferred income taxes		**(6,453)**		(9,388)
	$	**5,271**	$	9,325
Income tax rate reconciliation				
Combined federal and provincial income tax rate		**28.7 %**		26.9 %
Increases (reductions) applicable to:				
Non-taxable items		**2.5**		0.7
Other		**-**		(0.4)
Effective rate		**31.2 %**		**27.2 %**

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

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

Composition of deferred income tax assets and liabilities

	2017	2016
Provisions and accruals	**$ 3,173**	$ 2,577
Timing of recognition of construction profits	**(17,152)**	(12,838)
Property and equipment	**(1,517)**	(1,739)
Intangible assets	**(498)**	(671)
Other	**(50)**	(264)
Tax loss carry forward	**14,508**	4,946
	$ (1,536)	$ (7,989)
Balance sheet presentation		
Deferred income tax asset	**8,615**	6,737
Deferred income tax liability	**(10,151)**	(14,726)
	$ (1,536)	$ (7,989)

The Company has deferred tax assets in the amount of $945 that have not been recognized in these consolidated financial statements in respect of capital losses realized on the disposal of bonds and preferred share investments in 2011, 2013 and 2015. A deferred tax asset has not been recognized because it is not probable the Company will generate future taxable capital gains.

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

Movement in temporary differences for the year ended December 31, 2017

	Balance December 31, 2016	Recognized in profit or loss	Balance December 31, 2017
Provisions and accruals	**$ 2,577**	**$ 596**	**$ 3,173**
Timing of recognition of construction profits	**(12,838)**	**(4,314)**	**(17,152)**
Property and equipment	**(1,739)**	**222**	**(1,517)**
Intangible assets	**(671)**	**173**	**(498)**
Other	**(264)**	**214**	**(50)**
Tax loss carry forward	**4,946**	**9,562**	**14,508**
	$ (7,989)	**$ 6,453**	**$ (1,536)**

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

	Balance December 31, 2015	Recognized in profit or loss	Balance December 31, 2016
Provisions and accruals	$ 3,416	$ (839)	$ 2,577
Timing of recognition of construction profits	(18,782)	5,944	(12,838)
Property and equipment	(2,032)	293	(1,739)
Intangible assets	(1,371)	700	(671)
Other	(284)	20	(264)
Tax loss carry forward	1,676	3,270	4,946
	$ (17,377)	$ 9,388	$ (7,989)

13. Other liabilities

	December 31, 2017	December 31, 2016
Liabilities for cash-settled share-based compensation plans (note 14(b))	**5,558**	4,033
Leasehold inducement	**2,484**	1,841
Deferred payment	**1,136**	-
	9,178	5,874
Less: current portion - cash-settled share-based compensation plans (note 14(b))	**1,726**	1,389
Less: current portion - leasehold inducement	**218**	180
Less: current portion - deferred payment	**436**	-
	2,380	1,569
Non-current portion	**$ 6,798**	$ 4,305

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

14. Share-based compensation plans

(a) Stock option plan:

The Company has a Stock Option Plan that provides all option holders the right to receive common shares in exchange for the options exercised. The Board of Directors selects eligible employees to be granted options, the number of options granted, the exercise price, the term of the option and the vesting periods. The number of common shares issuable under the Stock Option Plan shall not exceed 10% of the number of common shares outstanding. With the approval of the Equity Incentive Plan in May 2017, the Board of Directors has resolved to suspend the stock option plan. All outstanding options will continue to vest in accordance with the term of the option and the vesting periods.

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

	Number of share options outstanding	Weighted average exercise price
Outstanding at December 31, 2015	660,000	$ 13.66
Forfeited during the year	(95,000)	13.98
Outstanding at December 31, 2016	565,000	13.61
Forfeited during the year	(30,000)	13.98
Outstanding at December 31, 2017	**535,000**	**$ 13.59**

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2017:

	Number of stock options issued and outstanding	Number of stock options exercisable	Exercise price	Weighted average fair value of the option	Expiry Date	Remaining contractual life (years)
March 15, 2012 Grant	435,000	435,000	$ 13.98	$ 3.25	March 15, 2019	1.2
January 1, 2015 Grant	100,000	50,000	$ 11.87	$ 1.16	January 1, 2022	4.0

The stock-based compensation expense recognized during 2017 is $17 compared to a recovery of $30 during 2016.

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

(b) Medium term incentive plan ("MTIP"), Equity incentive plan ("EIP") and Deferred share unit plan ("DSU Plan"):

		December 31, 2017		December 31, 2016
MTIP liability	$	2,975	$	3,004
EIP liability		861		-
DSU liability		1,722		1,029
Liabilities for cash-settled share-based compensation plans		5,558		4,033
Less: current portion - MTIP liability		1,726		1,389
		1,726		1,389
Non-current portion	$	3,832	$	2,644

The Company has recognized a derivative gain of $1,995 on its Total Return Swap contracts (note 7) for the year ended December 31, 2017.

MTIP & EIP Liability:

	MTIP & EIP			
		2017		2016
Balance January 1,	$	3,004	$	2,708
Annual award of phantom shares		2,403		2,203
Cash payments of vested shares		(2,270)		(831)
Shares awarded - notional dividends		167		251
Change in fair value of phantom shares		532		(1,327)
Balance December 31,		3,836		3,004
Less: current portion		1,726		1,389
Non-current portion	$	2,110	$	1,615

As at December 31, 2017, a total of 751,733 unvested phantom shares of the MTIP and EIP (December 31, 2016 – 664,658) are outstanding and valued at $7,641, of which $3,836 has been recognized to date in the accounts of the Company.

As at December 31, 2017, a total of 169,830 deferred share units (DSU) (December 31, 2016 – 113,569) were issued and valued at $1,722.

15. Shareholders' capital

The Company is authorized to issue an unlimited number of common shares and has issued and outstanding 42,516,853 common shares as at December 31, 2017. The Company is authorized to issue preference shares in series with rights set by the Board of Directors, up to a balance not to exceed 35% of the outstanding common shares.

	Number of shares		Amount
Balance, December 31, 2016 and December 31, 2017	42,516,853	$	42,527

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

16. Earnings per share

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

	2017	2016
Profit attributable to shareholders (basic and diluted)	**$ 11,618**	$ 25,002
Average number of common shares outstanding	**42,516,853**	42,516,853
Effect of stock options on issue	**-**	-
Weighted average number of common shares (diluted)	**42,516,853**	42,516,853
Basic earnings per share	**$ 0.27**	$ 0.59
Diluted earnings per share	**$ 0.27**	$ 0.59

At December 31, 2017, 535,000 options (December 31, 2016 - 565,000 options) were excluded from the diluted weighted average number of common share calculation as their effect would have been anti-dilutive.

17. Provisions

	Warranty Claims	Legal	Total
Balance December 31, 2016	**$ 3,618**	**$ 1,669**	**$ 5,287**
Provisions made during the year	**2,405**	**1,455**	**3,860**
Provisions used during the year	**(688)**	**(674)**	**(1,362)**
Provisions reversed during the year	**(795)**	**(524)**	**(1,319)**
Balance December 31, 2017	**$ 4,540**	**$ 1,926**	**$ 6,466**

	Warranty Claims	Legal	Total
Balance December 31, 2015	$ 3,564	$ 1,758	$ 5,322
Provisions made during the year	1,762	530	2,292
Provisions used during the year	(824)	(521)	(1,345)
Provisions reversed during the year	(884)	(98)	(982)
Balance December 31, 2016	$ 3,618	$ 1,669	$ 5,287

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

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

18. Finance income

	2017	2016
Interest income	$ **1,298**	$ 1,354
Interest income relating to accretion on holdback receivables	**2,813**	3,169
	$ **4,111**	$ 4,523

19. Finance and other costs

	2017	2016
Interest on long-term debt	$ **666**	$ 615
Loss (gain) on interest rate swaps (note 5)	**(282)**	(236)
Interest on non-recourse project financing	**1,152**	799
Accretion of accounts payable	**2,142**	1,841
	$ **3,678**	$ 3,019

20. Personnel costs

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

	2017	2016
Wages, salaries and profit sharing	$ **172,460**	$ 200,245
Benefits	**28,140**	34,561
Deferred compensation	**3,795**	1,211
Stock-based compensation	**17**	(30)
	$ **204,412**	$ 235,987

21. Leases

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

	Maturities			
	2018	From 2019 to 2022	Beyond 2022	Total
Operating leases	$ 5,432	15,222	12,839	$ 33,493

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

Expenses under lease commitments on buildings and equipment are $6,561 (December 31, 2016 - $7,295).

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

22. Commitments and contingent liabilities

(a) Commitments:
Outstanding surety lien bonds issued on behalf of the Company in connection with liens by subcontractors and suppliers at December 31, 2017 totalled $24,109 (December 31, 2016 - $18,227).

The Company has acquired minority equity interests in a number of PPP concession entities (note 8), which requires the Company to make $7,961 in future capital injections. These commitments have been secured by letters of credit totalling $8,131 (December 31, 2016 - $11,164).

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

23. Related party transactions

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

				2017				
		Base Salary	EIP/MTIP/ DSU	Stock-based compensation	Annual Profit Sharing	Other Taxable Benefits		Total
Executive & Directors	**$**	**3,845**	**2,469**	**17**	**461**	**323**	**$**	**7,115**

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

The Executive comprises the following positions:

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

At December 31, 2017, Directors and Executive of the Company controlled 4.0% (December 31, 2016 – 3.9%) of the voting shares of the Company.

In 2014, the Company issued a non-interest bearing five-year loan of $550 (due December 12, 2019) to one of its executives to assist with expenses relating to the relocation of the employee. As at December 31, 2017, $550 remained outstanding on the loan (December 31, 2016 - $550).

In 2016, the Company issued a non-interest bearing five-year loan of $500 (due August 14, 2021) to one of its executives to assist with expenses relating to the relocation of the employee. As at December 31, 2017, $500 remained outstanding on the loan (December 31, 2016 - $500).

A Director or related parties hold positions in other entities that result in them having control over the financial reporting or operating policies of these entities. All transactions with the Director and entities over which they have control are provided for in the normal course of business based on terms similar to those that prevail in arm's length transactions. The aggregate value of transactions during the year with entities over which directors have control was $1,632 (December 31, 2016 - $2,417) and the outstanding balance receivable at December 31, 2017 was $nil (December 31, 2016 - $15).

Transactions with proportionally consolidated joint arrangements:
The Company provides services of its employees, management services, cost reimbursements, parental guarantees and letters of credit to the joint arrangements. These services were transferred at the exchange amount, agreed to between the parties. The amounts recognized for services provided by the Company for the year ended December 31, 2017 totalled $18,024 (December 31, 2016 - $18,488).

The Company has accounts receivable from the joint arrangements at December 31, 2017 totaling $1,443 (December 31, 2016 - $1,835).

Transactions with equity accounted joint arrangements:
The Company and its proportionately consolidated joint arrangements (notes 3(a) and 8), provides development and construction services to its concession investments in associates and joint ventures which are in the normal course of business and on commercial terms. The Company's proportionate share of the amounts billed for construction services provided by these joint arrangements for the year ended December 31, 2017 totaled $192,506 (December 31, 2016 – $386,906), of which $234,290 has been recognized in revenue in 2017 (December 31, 2016 - $382,144). These amounts are not eliminated as they are deemed to be realized by the Company.

The Company and its proportionately consolidated joint arrangements, have accounts receivable from these concession investment entities. The Company's proportionate share of accounts receivable at December 31, 2017 totaled $42,944 (December 31, 2016 - $74,899). The Company also has a note receivable from an equity accounted joint arrangement at December 31, 2017 totalling $1,145 (December 31, 2016 - $nil).

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

24. Other cash flow information

		2017		2016
Changes in non-cash working capital relating to operating activities				
Accounts receivable	**$**	**19,760**	$	10,452
Costs and estimated earnings in excess of billings		**(19,553)**		(4,415)
Costs and estimated earnings in excess of billings - alternative finance projects		**(7,508)**		(51,756)
Prepaid expenses		**169**		(499)
Inventory		**53**		(158)
Accounts payable		**(72,189)**		66,078
Deferred contract revenue		**(18,890)**		(16,427)
Provisions		**1,179**		(35)
Medium term incentive plan		**(2,270)**		(831)
	$	**(99,249)**	$	2,409
Cash and cash equivalents				
Cash	**$**	**114,092**	$	246,519
Bankers' acceptances and short-term deposits		**18,963**		15,357
	$	**133,055**	$	261,876

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

		2017		2016
Restricted cash and cash equivalents				
Cash and cash equivalents held to support letters of credit (note 11)	**$**	**20,253**	$	29,244
Cash deposited in blocked accounts for special projects		**4,043**		5,140
	$	**24,296**	$	34,384

Costs and estimated earnings in excess of billings changes are driven by design build finance projects. Refer to note 5 for loan proceeds to fund costs and estimated earnings in excess of billings.

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

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

25. Financial instruments

The Company's investments and derivative financial instruments, including interest rate swaps and TRS derivatives have been classified as fair value through profit and loss. The Company’s cash, bankers’ acceptances, short-term deposits, short-term investments, accounts receivable and other long-term assets are classified as loans and receivables. The Company’s bank overdraft, if any, accounts payable, dividends payable to shareholders, non-recourse project financing, deferred payment and long-term debt have been classified as other financial liabilities. The basis of the determination of the fair value of the Company’s financial instruments is more fully described in note 3(m).

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

A. Classification and fair value of financial instruments:

	2017	2016
Financial instruments at fair value through profit or loss		
Non-recourse project financing - interest rate swaps	**$ 290**	$ 8
Total return swap derivatives	**1,995**	-
	$ 2,285	$ 8
Loans and receivables and other financial liabilities		
Loans and receivables		
Cash and cash equivalents (note 24)	**$ 133,055**	$ 261,876
Accounts receivable	**374,931**	391,804
Other non-current assets	**5,991**	3,680
	$ 513,977	$ 657,360
Other financial liabilities		
Accounts payable	**$ (388,525)**	$ (458,673)
Dividends payable to shareholders	**(1,382)**	(2,691)
Non-recourse project financing - loan facilities (note 5)	**(63,975)**	(59,230)
Loans and borrowings	**(18,598)**	(11,388)
Deferred payment	**(1,136)**	-
	$ (473,616)	$ (531,982)
Total financial instruments	**$ 42,646**	$ 125,386

The following table presents information about the Company's financial instruments measured at fair value as at December 31, 2017 and December 31, 2016, and indicates the fair value hierarchy of inputs utilized by the Company to determine such fair value. The hierarchy of inputs is summarized below:

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

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

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
		2017		
Non-recourse project financing - interest rate swaps	$ -	$ 290	$ -	$ 290
Total return swap derivatives	-	1,995	-	1,995
Total Financial Instruments through profit and loss	$ -	$ 2,285	$ -	$ 2,285
		2016		
Non-recourse project financing - interest rate swaps	$ -	$ 8	$ -	$ 8
Total return swap derivatives	-	-	-	-
Total Financial Instruments through profit and loss	$ -	$ 8	$ -	$ 8

There were no transfers between levels during both years.

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

B. Risk Management:

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

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

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

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

Accounts receivable outstanding for greater than 90 days and considered past due by the Company's management, represent 15.5% (December 31, 2016 – 10.9%) of the balance of progress billings on construction contracts receivable at December 31, 2017. Management has recorded an allowance of $1,672 (December 31, 2016 - $1,524) against these past due receivables, net of amounts recoverable from others.

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

	Amounts past due			
	Up to 12 months	Over 12 months	2017	2016
Trade receivables	$ **24,718**	$ **12,404**	$ **37,122**	$ 29,084
Impairment	**(283)**	**(1,389)**	**(1,672)**	(1,524)
Total Trade receivables	$ **24,435**	$ **11,015**	$ **35,450**	$ 27,560

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

	2017	2016
Balance, beginning of period	$ **1,524**	$ 2,000
Impairment loss recognized	**383**	74
Amounts written off	**(96)**	(204)
Impairment loss reversed	**(139)**	(346)
	$ **1,672**	$ 1,524

ii. Liquidity risk:

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

The Company has working capital of $90,660 which is available to support surety requirements related to construction projects. As a component of working capital, the Company maintains significant balances of cash and cash equivalents and investments in liquid securities. These investments, less $20,253 hypothecated to support outstanding letters of credit and $4,043 held in blocked accounts, are available to meet the financial obligations of the Company as they come due (note 24).

The Company has a committed line of credit of $70,000 available to finance operations and issue letters of credit. As at December 31, 2017, the Company has drawn $5,000 on the facility and has $26,446 letters of credit outstanding on the facility. A subsidiary of the Company has a committed line of credit totaling $25,000 available to finance operations of which $nil has been drawn at December 31, 2017. Also, the Company and its subsidiaries have a $35,000 committed equipment facility, of which $5,823 is outstanding at December 31, 2017. Subsidiaries of the Company have established operating lease lines of credit for $42,500 with the financing arms of major heavy equipment suppliers to finance operating equipment leases. At December 31, 2017, the subsidiary has used $6,041 under these facilities. In addition, the Company has lines of credit totaling $105,000 available for issuing letters of credit for which $25,060 was drawn at December 31, 2017. Additional draws on this line require hypothecation of additional securities or cash deposits. Cash collateralization may not be required as the Company has entered into an agreement with EDC to provide performance security guarantees for letters of credit issued that meet their criteria. The Company believes it has access to sufficient funding through the use of these facilities to meet foreseeable operating requirements.

Principal repayments due on the loans and borrowings and non-recourse project financing are disclosed in notes 11 and 5, respectively. As disclosed in notes 13 and 14, payments required pursuant to the Company's MTIP granted in 2015, 2016 and 2017 are due on the vesting dates of November 2018, November 2019 and November 2020, respectively, or upon retirement, if earlier. Payments pursuant to the Company's EIP granted in 2017 are due by December 2020. Payments pursuant to the Company's DSU Plan are cash settled when the eligible Director ceases to hold any position within the Company.

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

The following are the contractual maturities of financial liabilities, including estimated interest payments as at December 31, 2017.

	Carrying amount	Contractual cash flows	Up to 12 months	2-3 years	4-5 years
Trade payables	$ 388,525	$ 390,319	$ 373,443	$ 16,863	$ 13
Dividends payable	1,382	1,382	1,382	-	-
Finance lease liabilities	8,421	8,828	2,455	4,799	1,574
Non-recourse project financing	63,685	64,511	64,511	-	-
Long-term debt	10,177	10,512	2,623	7,169	720
Deferred payment	1,136	1,162	436	726	-
	$ 473,326	**$ 476,714**	**$ 444,850**	**$ 29,557**	**$ 2,307**

iii. Market risk:

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that its credit facilities and TRS derivatives are based on variable rates of interest. The Company has the option to convert all variable-rate term facilities to fixed-rate term facilities. Interest rate risk on the non-recourse project financing is managed with the objective of reducing the cash flow interest rate risk through the use of interest rate swaps.

At December 31, 2017, the interest rate profile of the Company's long-term debt and non-recourse project financing was as follows:

	2017
Fixed-rate facilities	**$ 4,758**
Variable-rate facilities	**5,419**
Non-recourse project financing facilities	**63,975**
Total long-term debt	**$ 74,152**

As at December 31, 2017, a one percent change in the interest rate applied to the Company's variable rate long-term debt will change annual income before income taxes by approximately $54.

The Company has certain share-based compensation plans, whereby the values are based on the common share price of the Company. The Company has fixed a portion of the settlement costs of these plans by entering into various TRS derivatives maturing between 2017 and 2020. The TRS derivatives are not designated as a hedge. The TRS derivatives are recorded each quarter based on the difference between the fixed price and the market price of the Company's common shares at the end of each quarter. The TRS derivatives are classified as derivative financial instruments.

As at December 31, 2017, a 10 percent change in the share price applied to the Company's TRS derivatives will change income before income taxes by approximately $1,082. The intent of these derivatives is to offset the impact associated with changes to the Company's common share price for its cash-settled share-based plans (note 14(b)).

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

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

A 10% movement in the Canadian and U.S. dollar exchange rate would have changed annual income by approximately $1,941.

26. Capital disclosures

The Company's capital management objectives are to:

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

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

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

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

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

The amounts of shareholders' equity, working capital and loans and borrowings at December 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Shareholders' equity	**$ 158,621**	$ 163,566
Working capital	**$ 90,660**	$ 118,043
Loans and borrowings	**$ 18,598**	$ 11,388

27. Dividends declared with a record date subsequent to the financial statement date

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

i. The January dividend of $0.0325 per share will be paid on February 20, 2018 to the Shareholders of record as of the close of business on January 31, 2018.
ii. The February dividend of $0.0325 per share will be paid on March 20, 2018 to the Shareholders of record as of the close of business on February 28, 2018.
iii. The March dividend of $0.0325 per share will be paid on April 20, 2018 to the Shareholders of record as of the close of business on March 29, 2018.
iv. The April dividend of $0.0325 per share will be paid on May 18, 2018 to the Shareholders of record as of the close of business on April 30, 2018.

28. Comparative figures

Certain comparative figures for the prior year have been reclassified to conform to the presentation adopted in the current year.

Five Year Summary
December 31, 2017
(in thousands of Canadian dollars, except Other Information)

		2017	2016	2015	2014	2013
OPERATING RESULTS:						
Revenue	$	**1,418,439**	1,589,868	1,444,806	1,364,456	1,331,689
Income before income taxes	$	**16,889**	34,327	35,347	48,617	15,320
Income taxes		**5,271**	9,325	13,865	12,380	3,230
Net income	$	**11,618**	25,002**	21,482*	36,237	12,090
Dividends	$	**16,582**	32,297	32,297	32,297	32,015
Cash flows from operations before changes in non-cash working capital	$	**29,619**	48,449	75,291	64,899	32,314

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

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

		2017	2016	2015	2014	2013
FINANCIAL POSITION:						
Current assets	$	**621,020**	743,325	652,864	530,479	546,692
Current liabilities		**530,360**	625,282	525,506	426,452	426,330
Working capital	$	**90,660**	118,043	127,358	104,027	120,362
Property and equipment	$	**52,397**	45,517	54,281	58,440	56,248
Shareholders' equity	$	**158,621**	163,566	170,891	181,587	177,296
BACKLOG:						
Firm price	$	**1,186,000**	1,137,000	1,662,800	1,149,700	1,268,700
Construction management	$	**128,509**	35,351	17,108	3,012	41,786
OTHER INFORMATION:						
Number of shares outstanding		**42,516,853**	42,516,853	42,516,853	42,516,853	42,516,853
Return on revenue	%	**0.82**	1.57	1.49	2.66	0.91
Return on prior year shareholders' equity	%	**7.10**	14.63	11.83	20.44	6.31
Net income per share	$	**0.27**	0.59	0.51	0.85	0.28
Book value per share	$	**3.73**	3.85	4.02	4.27	4.17

ELIGIBLE DIVIDENDS

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

Management and Office Directory

CORPORATE OFFICE
TORONTO

Ian Boyd, *P.Eng.* – President & Chief Executive Officer
Teri McKibbon - Chief Operating Officer
Wayne Gingrich, *CPA, CMA* – Chief Financial Officer & Assistant Secretary
Paul Bergman, *CET* - Executive Vice President - Commercial & Institutional
Gilles Royer, *P.Eng.* – Executive Vice President - Industrial (*located in our Edmonton office*)
Charles Caza, *BA Sc. Eng., LL.B.* – General Counsel & Secretary
Durck deWinter, *P.Eng.* – Senior Vice President (*located in our Saint John office*)
Richard Ellis-Smith - Senior Vice President - Major Projects
Mark Dreschel - Senior Vice President Organizational Excellence & Community Engagement

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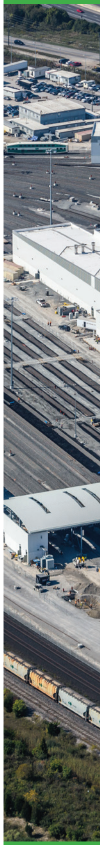

2017 ANNUAL REPORT

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