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2015 Annual Report - Management's Discussion and Analysis

March 1, 2016

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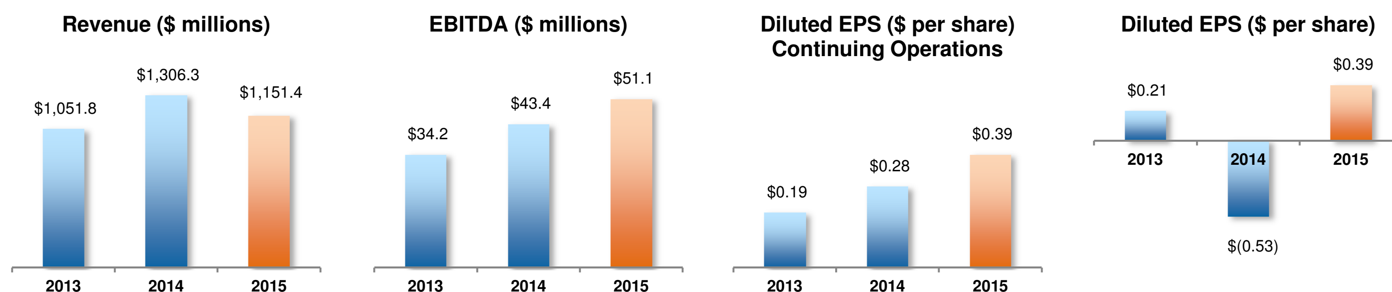
The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Stuart Olson Inc. ("Stuart Olson", the "Company", "we", "us", or "our") for the three and twelve months ended December 31, 2015, dated March 1, 2016, should be read in conjunction with the December 31, 2015 Audited Consolidated Annual Financial Statements and related notes thereto. Additional information relating to Stuart Olson is available under the Company's SEDAR profile at www.sedar.com and on our website at www.stuartolson.com. Unless otherwise specified all amounts are expressed in Canadian dollars. The information presented in this MD&A, including information relating to comparative periods in 2014 and 2013, is presented in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

Certain measures in this MD&A do not have any standardized meaning as prescribed by IFRS and, therefore, are considered non-IFRS measures. These non-IFRS measures are commonly used in the construction industry, and by Stuart Olson management, as alternative methods for assessing operating results and to provide a consistent basis of comparison between periods. These measures are not in accordance with IFRS, and do not have any standardized meaning. Therefore, the non-IFRS measures in this MD&A are unlikely to be comparable to similar measures used by other entities. Non-IFRS measures include: contract income margin; work-in-hand; backlog; active backlog; book-to-bill ratio; working capital; adjusted free cash flow; adjusted free cash flow per share; earnings before interest, taxes, depreciation and amortization (EBITDA); EBITDA Margin; earnings before tax (EBT); long-term indebtedness; indebtedness to capitalization; and net long term indebtedness to EBITDA. Further information regarding these measures can be found in the Non-IFRS Measures section of this MD&A.

We encourage readers to read the section entitled "Forward-Looking Information" at the end of this document.

2015 OVERVIEW



2015 Financial Highlights

- We generated higher contract income on lower consolidated revenue in 2015 as the Buildings Group sharpened its focus on core markets and customers, and we tightened the management of all of our business groups in response to challenging conditions in the Alberta market. For the year ended December 31, 2015:
    - revenue of $1,151.4 million declined 11.9% compared to 2014, primarily reflecting the strategic shift in Buildings Group project mix and the weaker economic conditions in Alberta; and
    - contract income increased 5.2% to $121.7 million and contract income margin increased to 10.6% from 8.9% year-over-year. These improvements reflect the successful execution of our business strategies, as well as the favourable impact of project timing on intersegment eliminations.
- EBITDA climbed 17.7% to $51.1 million in 2015, from $43.4 million in 2014, primarily as a result of the higher contract income. EBITDA margin improved to 4.4% from 3.3%.
- Net earnings from continuing operations increased to $11.2 million in 2015 (diluted earnings per share of $0.39), from $7.1 million in 2014 (diluted earnings per share of $0.28).
- 2015 net earnings increased to $11.2 million (diluted earnings per share of $0.39), a $24.3 million improvement compared to a loss of $13.1 million (diluted loss per share of $0.53) in 2014. The 2014 results included a $20.2 million net loss (diluted loss per share of $0.81) from discontinued operations related to our former Broda business.
- Adjusted free cash flow improved to $33.7 million in 2015 (adjusted free cash flow per share of $1.28) from $18.2 million in 2014 (adjusted free cash flow per share of $0.73), driven by our improved operating performance and reductions in capital expenditures.
- We ended 2015 with a strong $2.0 billion backlog that includes a diverse mix of public, private and industrial projects in British Columbia, Alberta, Manitoba, Saskatchewan, Ontario and the Northwest Territories. The backlog is predominantly made up of low-risk contract arrangements.
- On July 16, 2015, we successfully amended our revolving credit facility ("Revolver"), extending the term by three years and negotiating improved terms and conditions. The amendments included the elimination of the former Working Capital ratio and Senior Debt to EBITDA ratio financial covenants, the amendment of the Debt to EBITDA ratio covenant to not exceed 3:1, the expansion of maximum borrowing capacity to $175.0 million from $167.4 million, and the additional flexibility to make investments up to $25.0 million without securing approval from the syndicate of lenders.
- We paid annual dividends of $0.48 per common share in 2015. On March 1, 2016, our Board of Directors ("Board") declared a quarterly common share dividend of $0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable April 14, 2016 to shareholders of record on March 31, 2016.

2015 Operational Highlights

- On January 6, 2015, we completed the purchase of Studon Electric & Controls Inc. (“Studon”), furthering the vertical integration of our Industrial Group and strengthening our ability to provide a more complete range of industrial services to our customers.
- During 2015 we added to backlog project awards and net scope increases amounting to $1.0 billion. These projects included a $90.0 million project with Ontario’s largest post-secondary institution and a $90.0 million leisure centre complex in Southern Alberta for our Buildings Group, as well as an $80.0 million contract for a power distribution contract in Manitoba and two three-year extensions of master services agreements (MSA) worth $125.0 million with oil sands customers in Alberta for our Industrial Group.
- Subsequent to year-end, we were awarded a five-year MSA valued at approximately $500.0 million to provide maintenance, repair and operations (MRO) services to a longstanding oil sands customer in Alberta. Under the terms of the multi-site, multi-use contract, we will deliver a bundled service offering, drawing on the expertise of a diverse range of our Industrial Group service providers. Our backlog as at December 31, 2015 included $100.0 million of this award as it relates to work for 2016 that was subject to a previously issued purchase order. The $400.0 million balance has been added to backlog subsequent to the year-end.
- In June 2015 we announced that Arthur Atkinson had been appointed as Chief Operating Officer of the Buildings Group and that Joette Decore had been promoted to Executive Vice-President, Corporate Strategy and Development. In early 2016 we also announced that Bob Myles had joined Stuart Olson as Group Chief Operating Officer, Industrial.

OUTLOOK

We expect consolidated revenue for 2016 to be similar to the level achieved in 2015. Our revenue outlook is supported by our stable $2.0 billion backlog, which provides line of sight to activity levels for 2016 and into 2017, and reflects our access to many different segments and geographic markets within the Canadian construction market. Both the Buildings Group and Commercial Systems Group are executing backlogs dominated by public projects across multiple provinces. The Industrial Group, meanwhile, has been successful in winning significant new business within Alberta and beyond. We balance this outlook with the potential for unknown impacts from the current “lower for longer” commodity pricing environment.

EBITDA and EBITDA margin are expected to modestly decline in 2016, reflecting the continuation of challenging economic conditions in the Alberta market and an increased proportion of lower-risk MRO projects for our Industrial Group. Our EBITDA outlook also reflects the partial reversal of the intercompany eliminations that favourably impacted 2015 results.

Industrial Group Outlook

We expect 2016 revenue for the Industrial Group to be relatively consistent with 2015, supported by our large and growing base of recurring oil sands MRO work. We significantly strengthened our MRO base in 2015 and early 2016 with the addition of new and extended MSA agreements with oil sands customers, including the $500.0 million multi-year MSA announced with a key longstanding customer in February 2016. This latter agreement, which had added $100.0 million to the December 31, 2015 backlog and $400.0 million subsequent to the year-end, includes a major turnaround project that will be undertaken in 2016. Our outlook for the Industrial Group is further supported by our execution of large industrial projects outside of Alberta, including a power distribution project in Manitoba and a mining project in the Northwest Territories.

Industrial Group EBITDA and EBITDA margin as a percentage of revenue are expected to be weaker year-over-year as a result of competitive market pressures in Alberta and an increased proportion of our revenue coming from lower-risk cost-reimbursable MRO projects.

We expect to execute approximately $328.2 million of the Industrial Group’s backlog in 2016. New contract awards, additional short-duration projects, scope changes and industrial maintenance work not yet included in backlog, are expected to supplement the Industrial Group’s 2016 revenue from year-end backlog.

Buildings Group Outlook

The Buildings Group anticipates higher EBITDA and EBITDA margin in 2016 on slightly lower revenue compared to 2015. Our outlook reflects the strategic shift in our project mix as we completed the remaining industrial-site projects in 2015 and sharpened our focus on core strengths in the public and private construction markets. The Buildings Group’s 2016 revenue will be supported by predominantly public projects in multiple provinces, including the group’s growing activity in the Ontario market. Our higher EBITDA expectations primarily reflect the favourable shift in project mix, and to a lesser extent, a change in project stage of completion with several larger public projects scheduled to reach completion in 2016.

We expect to execute approximately $502.2 million of the Buildings Group’s December 31, 2015 backlog during 2016. Longer term, we see a continued strong pipeline of public projects arising from increased infrastructure spending at both the provincial and federal levels across Canada.

Commercial Systems Group Outlook

Commercial Systems Group 2016 revenue is expected to be similar to 2015, reflecting consistent demand for the Group's highly specialized services across Western Canada. EBITDA and EBITDA margins for 2016 are expected to be slightly lower than in 2015, reflecting the competitive market environment in Alberta.

During 2016, the Commercial Systems Group expects to execute approximately $121.0 million of its year-end backlog. New awards, short-duration projects, building maintenance and tenant improvement work on existing projects are expected to supplement the backlog revenue executed in the year.

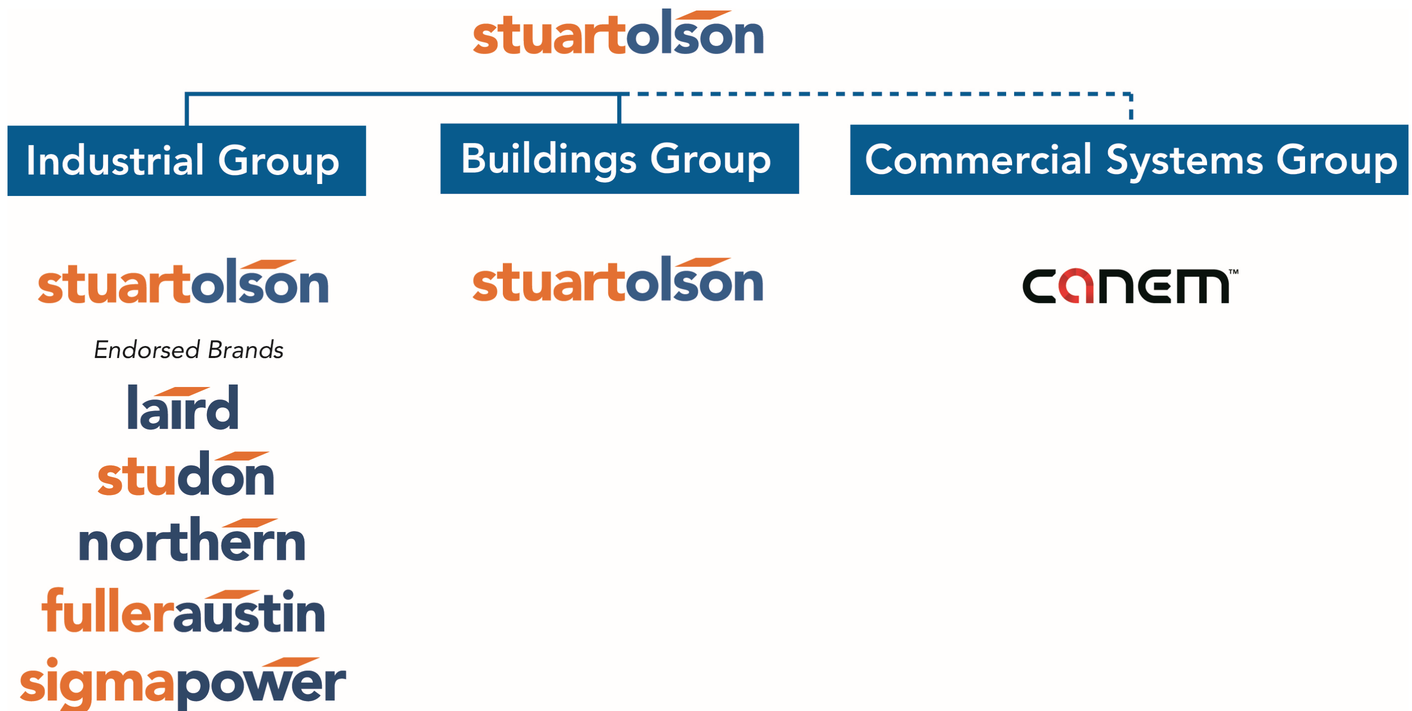
RISKS

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

ABOUT STUART OLSON INC.

Stuart Olson provides private, public and industrial construction services to a diverse range of customers in Western Canada, Ontario and the Northwest Territories.

The branding of our three business groups is organized as follows:



Industrial Group

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

Originally organized as separate service companies, the Industrial Group increasingly operates as an integrated industrial contractor, capable of taking on and self-performing larger projects in the industrial construction and MRO space. The Industrial Group provides full service general contracting, including mechanical, process insulation, metal siding and cladding, heating, ventilating and air conditioning ("HVAC"), asbestos abatement, electrical and instrumentation, high voltage testing and commissioning, as well as power line construction and maintenance services.

Buildings Group

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

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

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

Commercial Systems Group

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

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

ACQUISITION OF STUDON

On January 6, 2015, we acquired all of the issued and outstanding shares of Studon. Our reported results for the Industrial Group and consolidated Stuart Olson include Studon's results from the acquisition date. For further information on the acquisition of Studon, please refer to *Note 5* of our December 31, 2015 Audited Consolidated Annual Financial Statements.

RESULTS OF OPERATIONS

Consolidated Annual Results

	Year ended December 31		
$millions, except percentages and per share amounts	**2015**	**2014[3]**	**2013**
Contract revenue	**1,151.4**	1,306.3	1,051.8
Contract income	**121.7**	115.7	108.8
Contract income margin[1]	***10.6%***	*8.9%*	*10.3%*
Administrative costs	**94.4**	92.5	91.6
EBITDA[1]	**51.1**	43.4	34.2
EBITDA margin[1]	***4.4%***	*3.3%*	*3.3%*
Net earnings from continuing operations	**11.2**	7.1	4.6
Net (loss) earnings from discontinued operations	**nil**	(20.2)	0.5
Net earnings (loss)	**11.2**	(13.1)	5.1
Earnings (loss) per share			
Basic from continuing operations	**0.42**	0.29	0.19
Basic earnings (loss) per share	**0.42**	(0.52)	0.21
Diluted from continuing operations	**0.39**	0.28	0.19
Diluted earnings (loss) per share	**0.39**	(0.53)	0.21
Dividends declared per share	**0.48**	0.48	0.48

$millions	**Dec. 31, 2015**	**Dec. 31, 2014**	**Dec. 31, 2013**
Backlog[1]	**1,960.9**	1,986.8	2,116.2
Working capital[1] [2]	**64.4**	54.4	84.9
Long-term debt (excluding current portion)	**46.6**	0.8	50.3
Convertible debentures (excluding equity portion)[2]	**72.5**	155.8	81.9
Total assets	**646.8**	783.6	694.7

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

[2] The convertible debentures issued in 2010, and repaid June 30, 2015, were presented as a current liability of $84.8 million as at December 31, 2014.

[3] "EBITDA" for the year ended December 31, 2014 has been recalculated as a result of a change in definition in the year to exclude costs/recoveries from investing activities. Please refer to the "Non-IFRS Measures" section for further information.

Consolidated Annual Results

For the year ended December 31, 2015, we recorded consolidated contract revenue of $1,151.4 million, a decline of 11.9% from $1,306.3 million in 2014. Revenue from the Buildings Group decreased by $145.2 million or 20.9%, Commercial Systems Group revenue decreased by $8.8 million or 3.6%, and Industrial Group revenue decreased by $1.1 million or 0.3% compared to 2014.

Full-year contract income improved by 5.2% to $121.7 million in 2015, from $115.7 million in 2014, while contract income margin improved to 10.6% from 8.9%. The $6.0 million improvement in contract income reflects a $4.7 million or 14.0% increase in contract income from the Buildings Group, partially offset by a $2.8 million or 5.5% decline in contract income from the Industrial Group and a $0.6 million or 1.9% decrease from the Commercial Systems Group. The year-over-year improvement in contract income also reflects a $4.7 million increase from intercompany eliminations (positive $3.6 million impact in 2015 versus a negative impact of $1.1 million impact in 2014). Intersegment eliminations occur when two or more of our business groups work together on a project. Over the life of the project, the impact of the eliminations to contract income will net to nil; however, the impact of eliminations may be temporarily significant from period-to-period depending on a number of factors. These factors include the number of intercompany projects under construction, the scale of the projects, contract terms and project stage of completion.

Administrative costs were $94.4 million (8.2% of revenue) in 2015, an increase of 2.1% from $92.5 million (7.1% of revenue) in 2014. The year-over-year change was driven by a $10.5 million or 58.3% increase in Industrial Group administrative costs due to the January 2015 addition of Studon, including amortization related to the intangible assets recorded at the time of acquisition. These costs were partially offset by a $2.6 million or 9.3% reduction in costs from the Buildings Group, a $5.5 million or 17.2% reduction from the Corporate Group and a $0.3 million or 2.1% reduction from the Commercial Systems Group.

EBITDA climbed 17.7% or $7.7 million to $51.1 million in 2015, from $43.4 million in 2014. Improvements in contract income and reductions in core administrative costs (excluding increased amortization related to intangibles), were the key factors in this improvement. EBITDA margin for the year improved to 4.4% from 3.3% in 2014.

Consolidated net earnings from continuing operations increased 57.7% to $11.2 million in 2015, from $7.1 million in 2014. The significant year-over-year improvement reflects the higher EBITDA, partially offset by increased depreciation and amortization from intangible assets and equipment acquired as part of the Studon acquisition, together with higher income tax expense primarily due to increased profitability in 2015.

Net earnings increased by $24.3 million to $11.2 million in 2015, up from a net loss of $13.1 million in 2014. The 2014 net loss included a $20.2 million net loss from discontinued operations related to our former Broda business.

Consolidated Q4 Results

$millions, except percentages and per share amounts	Three months ended December 31	
	2015	**2014**[(2)]
Contract revenue	**283.1**	364.5
Contract income	**30.7**	32.3
Contract income margin[(1)]	***10.8%***	*8.9%*
Administrative costs	**25.5**	26.4
EBITDA[(1)]	**11.5**	13.7
EBITDA margin[(1)]	***4.1%***	*3.8%*
Net earnings from continuing operations	**2.1**	1.2
Net earnings (loss) from discontinued operations	**nil**	(0.7)
Net earnings	**2.1**	0.5
Earnings (loss) per share		
Basic from continuing operations	**0.08**	0.05
Basic earnings per share	**0.08**	0.02
Diluted from continuing operations	**0.08**	0.05
Diluted earnings per share	**0.08**	0.02
Dividends declared per share	**0.12**	0.12

Notes: (1) "Contract income margin", "EBITDA", "EBITDA margin", are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.
(2) "EBITDA" for the three-months ended December 31, 2014 has been recalculated as a result of a change in definition in the year to exclude costs/recoveries from investing activities. Please refer to the "Non-IFRS Measures" section for further information.

Consolidated Q4 Results

For the three months ended December 31, 2015, we generated consolidated contract revenue of $283.1 million, 22.3% lower than the $364.5 million recorded in the same period in 2014. While revenue from the Industrial Group increased by $10.6 million or 10.7% year-over-year, this was offset by a $94.9 million or 43.9% decrease in Buildings Group revenue and a $1.1 million or 1.8% decrease in Commercial Systems Group revenue.

Fourth quarter contract income of $30.7 million decreased by $1.6 million or 5.0% from $32.3 million during the same period in 2014. Contract income as a percentage of revenue improved to 10.8% from 8.9%. The year-over-year change in contract income reflects a $0.8 million or 7.8% increase in contract income from the Buildings Group and a $0.3 million or 3.5% increase from the Commercial Systems Group. These gains were partially offset by a $0.8 million or 6.1% decrease in contract income from the Industrial Group and a $1.9 million year-over-year decrease in contract income relating to the timing of intersegment eliminations. Please refer to the contract income paragraph of our consolidated annual results on the previous page for a discussion of the factors impacting the amount and timing of intersegment eliminations.

Fourth quarter 2015 administrative costs declined year-over-year to $25.5 million, from $26.4 million in the same period last year. This improvement reflects administrative cost savings of $3.4 million or 31.8% in the Corporate Group and $0.2 million or 5.3% in the Commercial Systems Group. These improvements were partially offset by increased costs of $2.2 million or 47.8% in the Industrial Group related to the addition of Studon and $0.6 million or 8.2% increase in Buildings Group costs.

EBITDA for the three months ended December 31, 2015 decreased by $2.2 million or 16.1% to $11.5 million, from $13.7 million in Q4 2014. EBITDA margin increased to 4.1% from 3.8% in the same period last year. The year-over-year EBITDA change primarily reflects lower contract income and higher administrative costs, excluding administrative depreciation and amortization.

Fourth quarter consolidated net earnings from continuing operations grew to $2.1 million in Q4 2015, from $1.2 million in Q4 2014. The improvement of $0.9 million or 75.0% reflects lower administrative depreciation and amortization and finance costs in 2015. Fourth quarter net earnings increased to $2.1 million, a $1.6 million improvement from net earnings of $0.5 million during the same period in 2014. The year-over-year improvement reflects the absence of the 2014 $0.7 million net loss from discontinued operations relating to our former Broda business.

Consolidated Backlog

$millions, except percentages	Dec. 31, 2015	Dec. 31, 2014
Industrial Group	**493.5**	340.6
Buildings Group	**1,334.0**	1,433.6
Commercial Systems Group	**133.4**	212.6
Consolidated backlog	**1,960.9**	1,986.8
Construction management	**57.9%**	60.5%
Cost-plus	**28.2%**	23.7%
Design-build	**5.3%**	nil
Tendered (hard bid)	**8.6%**	15.8%

Consolidated backlog as at December 31, 2015 was $1,960.9 million, a decrease of $25.9 million or 1.3% from backlog of $1,986.8 million as at December 31, 2014. The December 31, 2015 backlog includes the remaining balance of the $157.0 million in backlog added at the time of the January 6, 2015 acquisition of Studon. The decline in overall backlog, even after adding Studon's backlog, reflects the reduction in Buildings Group industrial site projects and deferrals in the timing of project awards in Alberta. As at December 31, 2015, backlog consisted of work-in-hand of $897.2 million (December 31, 2014 - $1,080.3 million) and active backlog of $1,063.7 million (December 31, 2014 - $906.5 million). Approximately 57.9% of the backlog consists of construction management (CM) contracts, 28.2% cost-plus arrangements, 5.3% design-build contracts and 8.6% tendered (hard-bid) work. New contract awards and net increases in contract value of $421.1 million and $1,009.2 million were added to work-in-hand in the fourth quarter and full-year 2015, respectively.

Our book-to-bill ratio for the fourth quarter of 2015 was 0.80 to 1.0, and for the year ended December 31, 2015, was 0.84 to 1.0, excluding the benefit of backlog provided by the Studon acquisition. Revenue exceeded backlog additions during these periods primarily due to a reduction in the number of construction opportunities in the Alberta market.

RESULTS OF OPERATIONS BY BUSINESS GROUP

Industrial Group Results

	Three months ended December 31		Year ended December 31	
$millions, except percentages	**2015**	**2014**	**2015**	**2014**
Contract revenue	**110.0**	99.4	**406.7**	407.8
Contract income	**12.3**	13.1	**48.5**	51.3
Contract income margin[(1)]	***11.2%***	*13.2%*	***11.9%***	*12.6%*
Administrative costs	**6.8**	4.6	**28.5**	18.0
EBITDA[(1)]	**7.3**	9.2	**30.0**	36.1
EBITDA margin[(1)]	***6.6%***	*9.3%*	***7.4%***	*8.9%*
EBT[(1)]	**5.6**	8.5	**20.0**	33.4
Backlog[(1)]			**493.5**	340.6

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

Three-Month Results

For the three months ended December 31, 2015, Industrial Group revenue increased by 10.7% to $110.0 million, from $99.4 million during the same period in 2014. The $10.6 million increase reflects activity on the group's Northwest Territories mining project in 2015 and the addition of revenue from the Studon business acquired in the first quarter of 2015. These impacts were partially offset by the reduction in new oil sands construction activity and the wind-down of a large one-time oil sands construction project that benefitted 2014 results.

The Industrial Group reported fourth quarter 2015 contract income of $12.3 million, a $0.8 million or 6.1% decline from the $13.1 million achieved during the same period in 2014. As a percentage of revenue, fourth quarter contract income margin decreased to 11.2% from 13.2% in Q4 2014. The lower margin reflects the impact of oil sands project owners seeking supplier cost reductions, an increased proportion of lower-risk cost reimbursable MRO work in the current project mix, and the absence of close-out margins earned on projects approaching completion in 2014.

For the three months ended December 31, 2015, Industrial Group administrative costs were $6.8 million, compared to $4.6 million in the fourth quarter of 2014. The $2.2 million or 47.8% increase is related to the addition of Studon's administrative costs in 2015, as well as amortization related to the acquisition of Studon intangibles.

EBITDA from the Industrial Group was $7.3 million (6.6% EBITDA margin) in the fourth quarter of 2015, compared to $9.2 million (9.3% EBITDA margin) during the same period in 2014. The $1.9 million or 20.7% decrease primarily reflects the reduction in contract income margins and the increase in administrative costs, partially offset by the addition of EBITDA provided by Studon.

The Industrial Group reported fourth quarter EBT of $5.6 million, a decrease of $2.9 million or 34.1% from $8.5 million in 2014. The year-over-year change was due primarily to lower EBITDA and an increase in intangible amortization costs associated with the Studon acquisition.

Twelve-Month Results

For the year ended December 31, 2015, the Industrial Group generated revenue of $406.7 million, a $1.1 million or 0.3% decrease from $407.8 million in 2014. While 2015 revenues were negatively impacted by the industry-wide decline in new oil sands construction activity, as well as by the wind-down of a large one-time oil sands construction project that benefitted 2014 results, these impacts were largely offset by the addition of Studon's revenue and by increasing activity levels at the group's Northwest Territories mining project.

The Industrial Group generated contract income of $48.5 million for the year ended December 31, 2015, a decrease of $2.8 million or 5.5% from the $51.3 million achieved during 2014. Contract income margin was 11.9%, down from the 12.6% margin achieved in 2014. The 2015 results reflect the impact of oil sands project owners seeking supplier cost reductions, an increased proportion of lower-risk cost reimbursable MRO work in the project mix and the absence of 2014 close-out margins related to projects that approached completion in the prior year.

For the year ended December 31, 2015, Industrial Group administrative expenses increased to $28.5 million from $18.0 million in 2014. The $10.5 million or 58.3% increase is primarily related to the addition of Studon's administrative costs in 2015 as well as amortization related to the acquired Studon intangibles. Based on weakness in the oil and gas sector, a $4.0 million impairment related to acquired Studon intangibles (backlog and customer relationships) was identified and recorded in the third quarter of 2015. This impairment was partially offset by a Q3 2015 recovery of $2.9 million related to re-measuring the Studon earn-out contingent liability to fair value.

The Industrial Group earned EBITDA of $30.0 million (7.4% EBITDA margin) in 2015, a decrease of $6.1 million or 16.9% compared to EBITDA of $36.1 million (8.9% EBITDA margin) during 2014. The year-over-year change reflects lower contract income and increased administrative costs, partially offset by the additional EBITDA contributed by Studon.

Industrial Group EBT declined by $13.4 million or 40.1% to $20.0 million in 2015, from $33.4 million in 2014. The year-over-year decrease reflects the lower 2015 EBITDA, increased intangible amortization costs associated with the Studon acquisition and the intangible asset impairment recognized in 2015, partially offset by the recovery from re-measuring the Studon contingent liability to fair value.

Backlog

As at December 31, 2015, Industrial Group backlog increased to $493.5 million, from a backlog of $340.6 million at December 31, 2014. The $152.9 million or 44.9% increase reflects the addition of Studon's backlog as well as increases in project scope and new project awards. As at December 31, 2015, approximately 89.4% of the Industrial Group's backlog was composed of cost-plus projects and 10.6% was tendered (hard-bid) projects. The December 31, 2015 backlog consisted of $328.2 million of work-in-hand and $165.3 million of active backlog, compared to $325.1 million of work-in-hand and $15.5 million of active backlog at December 31, 2014. With respect to work-in-hand, the Industrial Group contracted $411.7 million of new awards during the year and executed $406.7 million of contract revenue.

Buildings Group Results

	Three months ended December 31		Year ended December 31	
$millions, except percentages	**2015**	**2014**	**2015**	**2014**
Contract revenue	**121.2**	216.1	**548.5**	693.7
Contract income	**11.1**	10.3	**38.2**	33.5
Contract income margin[(1)]	***9.2%***	*4.8%*	***7.0%***	*4.8%*
Administrative costs	**7.9**	7.3	**25.3**	27.9
EBITDA[(1)]	**5.6**	6.0	**17.1**	12.0
EBITDA margin[(1)]	***4.6%***	*2.8%*	***3.1%***	*1.7%*
EBT[(1)]	**3.5**	3.1	**13.4**	5.9
Backlog[(1)]			**1,334.0**	1,433.6

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

Three-Month Results

For the three months ended December 31, 2015, the Buildings Group generated revenue of $121.2 million, a decline of $94.9 million or 43.9% from $216.1 million in Q4 2014. The primary factors for this decrease were the planned wind-down of the Buildings Group's industrial site project activity, the completion of a number of projects in 2015 that provided significant revenue in 2014, and the shift to pre-construction phases on a number of new projects in 2015.

Contract income increased to $11.1 million in the fourth quarter of 2015, from $10.3 million during the same period in 2014. The $0.8 million or 7.8% improvement reflects higher contract income margin, which increased to 9.2% from 4.8% in Q4 2014. The improved margin reflects the group's strategic move away from higher-risk industrial site projects, which generated low margins, and in some cases negative margins, during the same period in 2014.

For the three months ended December 31, 2015, Buildings Group administrative costs increased to $7.9 million, from $7.3 million in the fourth quarter of 2014. The $0.6 million or 8.2% increase is primarily related to bad debt recoveries recognized in 2014 that did not repeat in 2015, partially offset by a Q4 2014 impairment associated with tenant improvement write-downs as the Buildings Group reduced leased office space, lowering lease costs for the group long-term.

The Buildings Group generated fourth quarter EBITDA of $5.6 million (4.6% EBITDA margin), compared to $6.0 million (2.8% EBITDA margin) in the same period in 2014. The $0.4 million or 6.7% decrease primarily reflects the increased administrative costs, partially offset by higher contract income.

EBT increased $0.4 million to $3.5 million in the fourth quarter of 2015, from $3.1 million in Q4 2014. The improved EBT reflects the tenant improvement write-downs in 2014 recognized by the Buildings Group, partially offset by lower EBITDA in Q4 2015.

Twelve-Month Results

For the year ended December 31, 2015, the Buildings Group generated revenue of $548.5 million, a decrease of $145.2 million or 20.9% from $693.7 million in 2014. The planned reduction in Buildings Group industrial site project activity accounted for approximately 60.0% of this decline. The balance reflects the 2015 completion of a number of projects that provided significant revenue in 2014 and the shift to pre-construction phases on a number of new projects in 2015.

Buildings Group contract income increased by 14.0% to $38.2 million in 2015, from $33.5 million in 2014. The $4.7 million improvement was principally driven by the significant increase in contract income margin to 7.0% in 2015, from 4.8% during the same period in 2014. The improved margin reflects our strategic shift away from higher-risk industrial site projects and the recognition of close-out margins on a number of projects completed in the year.

For the year ended December 31, 2015, Buildings Group administrative costs decreased to $25.3 million, from $27.9 million in 2014. The $2.6 million or 9.3% decrease is related to administrative cost savings from targeted reductions in the Buildings Group administrative spending, as well as tenant improvement write-downs that were incurred in 2014 but not in 2015.

EBITDA increased 42.5% to $17.1 million (3.1% EBITDA margin) in 2015, from $12.0 million (1.7% EBITDA margin) in 2014. This $5.1 million improvement reflects the Buildings Group's higher contract income and lower administrative costs.

EBT increased by $7.5 million or 127.1% to $13.4 million in 2015, from $5.9 million in 2014. The year-over-year improvement reflects the higher EBITDA and lower Buildings Group depreciation and impairment expense. The decrease in depreciation and impairment in 2015 reflects our strategy of consolidating and reducing Buildings Group office space, as well as the absence of tenant improvement write-downs incurred in 2014 that did not repeat in 2015.

Backlog

As at December 31, 2015, the Buildings Group's backlog was $1,334.0 million, compared to $1,433.6 million at December 31, 2014. The $99.6 million or 6.9% decline primarily reflects the Buildings Group having worked through the final industrial site backlog in 2015, as well as reduced public and private backlog in Alberta and Manitoba, partially offset by recent project wins by our Ontario branch. As at December 31, 2015, approximately 82.7% of the Buildings Group's backlog was composed of CM assignments, 8.4% was cost-plus projects, 7.7% was design-build contracts and 1.1% was tendered (hard-bid) projects. The December 31, 2015 backlog consisted of $447.6 million of work-in-hand and $886.3 million of active backlog, compared to $576.7 million of work-in-hand and $856.9 million of active backlog as at December 31, 2014. With respect to work-in-hand, the segment secured $421.0 million of new awards and project scope increases during the year, and executed $548.5 million of contract revenue.

Commercial Systems Group Results

	Three months ended December 31		Year ended December 31	
$millions, except percentages	**2015**	**2014**	**2015**	**2014**
Contract revenue	**59.4**	60.5	**233.5**	242.3
Contract income	**8.8**	8.5	**31.4**	32.0
Contract income margin[(1)]	***14.8%***	*14.0%*	***13.4%***	*13.2%*
Administrative costs	**3.6**	3.8	**14.0**	14.3
EBITDA[(1)]	**5.6**	5.1	**19.4**	19.4
EBITDA margin[(1)]	***9.4%***	*8.4%*	***8.3%***	*8.0%*
EBT[(1)]	**5.2**	4.7	**17.7**	17.8
Backlog[(1)]			**133.4**	212.6

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

Three-Month Results

For the three months ended December 31, 2015, the Commercial Systems Group generated revenue of $59.4 million, which is consistent with the $60.5 million delivered in Q4 2014.

Fourth quarter contract income from the Commercial Systems Group increased $0.3 million or 3.5% to $8.8 million from $8.5 million in Q4 2014. As a percentage of revenue, contract income margin increased to 14.8% from 14.0% in Q4 2014 reflecting year-over-year changes in project stage of completion.

EBITDA from the Commercial Systems Group increased to $5.6 million (9.4% EBITDA margin) in the fourth quarter of 2015, from $5.1 million (8.4% EBITDA margin) last year. The improvement in EBITDA and EBITDA margin primarily reflects the increase in contract income margin.

Fourth quarter EBT of $5.2 million was $0.5 million or 10.6% higher than the $4.7 million achieved during the same period in 2014. The year-over-year improvement in EBT is attributable to the increase in EBITDA.

Twelve-Month Results

For the twelve months ended December 31, 2015, revenue from the Commercial Systems Group was $233.5 million, compared to $242.3 million during the same period in 2014. The $8.8 million or 3.6% decrease reflects project timing.

The Commercial Systems Group generated contract income of $31.4 million in 2015, a $0.6 million or 1.9% decrease from the $32.0 million achieved in 2014. Contract income margin increased to 13.4% from 13.2% year-over-year, reflecting changes in project stage of completion.

EBITDA of $19.4 million (8.3% EBITDA margin) in 2015 was consistent with the $19.4 million (8.0% EBITDA margin) realized in 2014. EBITDA margin improved as a result of the slightly higher contract income margin achieved in 2015.

Commercial Systems Group EBT of $17.7 million in 2015 was consistent with the $17.8 million achieved in 2014.

Backlog

Commercial Systems Group backlog was $133.4 million at December 31, 2015, compared to $212.6 million at December 31, 2014, a $79.2 million or 37.3% decrease. The decline in backlog is related to the timing of award approvals, which have slowed in Alberta, rather than an absence of new projects. As at December 31, 2015, the group's backlog was composed of approximately 24.1% CM and cost-plus projects, 0.5% design-build projects, and 75.5% tendered projects. The December 31, 2015 backlog consisted of $121.4 million of work-in-hand and $12.1 million of active backlog compared to $178.4 million of work-in-hand and $34.2 million of active backlog at December 31, 2014. With respect to work-in-hand, the group secured $176.5 million of new awards and increases in contract value during the year and executed $233.5 million of construction activity.

Corporate Group Results

	Three months ended December 31		Year ended December 31	
$millions	**2015**	**2014[2]**	**2015**	**2014[2]**
Administrative costs	**7.3**	10.7	**26.5**	32.0
Finance costs	**2.1**	3.8	**12.4**	12.8
EBITDA[1]	**(5.7)**	(7.0)	**(19.1)**	(23.0)
EBT[1]	**(9.4)**	(14.3)	**(38.6)**	(44.6)

Note: [1] "EBITDA" and "EBT" are non-IFRS measures. Refer to "Non-IFRS Measures" for the definition of the term.
[2] "EBITDA" for the three-months and year-ended December 31, 2014 has been recalculated as a result of a change in definition in the year to exclude costs/recoveries from investing activities. Please refer to the "Non-IFRS Measures" section for further information.

Three-Month Results

For the three months ended December 31, 2015, Corporate Group administrative costs decreased to $7.3 million, from $10.7 million in the fourth quarter of 2014. The $3.4 million or 31.8% improvement is primarily related to the timing of incentive plan accruals in each year and Studon acquisition-related costs incurred in 2014 that did not repeat in 2015, partially offset by the impact of changes in our share price on share-based compensation expense.

The Corporate Group's finance costs decreased to $2.1 million in the fourth quarter of 2015, from $3.8 million during the same period last year. The $1.7 million or 44.7% improvement reflects reduced interest costs related to having just one set of convertible debentures outstanding in Q4 2015, as compared to having two sets of convertible debentures outstanding in Q4 2014. This decrease was partially offset by higher interest costs related to the increased Revolver balance in Q4 2015 associated with the settlement of the 2010 convertible debentures in late Q2 2015.

Corporate Group EBITDA improved to a loss of $5.7 million in Q4 2015, from a loss of $7.0 million in Q4 2014. The $1.3 million or 18.6% improvement reflects the decrease in administrative costs. This decrease in administrative costs does not include the Studon acquisition costs incurred in Q4 2014, as they are excluded from our calculation of EBITDA. The Corporate Group incurred a fourth quarter 2015 loss before tax of $9.4 million, compared to a loss before tax of $14.3 million in the comparable period in 2014. The year-over-year improvement was due principally to the reduction in administrative and finance costs.

Twelve-Month Results

For the year ended December 31, 2015, Corporate Group administrative expenses decreased to $26.5 million, from $32.0 million in 2014. The $5.5 million or 17.2% improvement is primarily related to the impact of changes in our share price on share-based compensation expense, as well as claim settlements, rebranding costs and Studon acquisition-related costs incurred in 2014 that did not repeat in 2015.

The Corporate Group's finance costs decreased to $12.4 million in 2015, from $12.8 million in 2014. The $0.4 million or 3.1% decrease reflects lower interest costs related to our reduced Revolver balance in the first half of 2015, until the 2010 convertible debentures were partly repaid through a draw on the Revolver. This was partially offset by higher interest expense related to having two sets of convertible debentures outstanding for six months in 2015, compared to approximately three months in 2014.

EBITDA for the Corporate Group improved to a loss of $19.1 million in 2015, from an EBITDA loss of $23.0 million in 2014. The $3.9 million or 17.0% improvement is attributable to lower administrative costs, which as discussed under the three-month results do not include the impact of Studon acquisition costs excluded from our calculation of EBITDA. The Corporate Group incurred a 2015 loss before tax of $38.6 million, compared to a loss before tax of $44.6 million in 2014, reflecting the reduction in administrative and finance costs.

Discontinued Operations

On September 1, 2014, we completed the sale of Broda. Results from our former Broda business, including those of all prior periods, are presented as discontinued operations in this MD&A. For complete financial details of discontinued operations, please refer to *Note 14* of our December 31, 2015 Audited Consolidated Annual Financial Statements.

LIQUIDITY

Cash and Borrowing Capacity

We monitor our liquidity principally through cash and cash equivalents and available borrowing capacity under our Revolver.

Current cash and cash equivalents at December 31, 2015 were $33.7 million, compared to $104.1 million at December 31, 2014. This $70.4 million decrease reflects the $62.3 million in cash paid on closing to acquire Studon and the $86.3 million in cash paid to settle our 2010 convertible debentures on June 30, 2015. These uses of cash were partially offset by cash flow provided by operations, including the conversion of non-cash working capital to cash due to decreases in activity levels in 2015 as compared to 2014, and cash borrowings of $47.5 million on our Revolver at year-end 2015.

As at December 31, 2015, we had additional borrowing capacity under our Revolver of $106.2 million, as compared to $118.6 million at December 31, 2014. The decline in our borrowing capacity reflects the use of our Revolver as one of the sources used to repay our $86.3 million 2010 convertible debentures in June 2015. This impact on our borrowing capacity was partially offset by improved EBITDA performance in 2015 and the elimination of the Senior Debt to EBITDA ratio financial covenant as part of the amendments made to the Revolver agreement during 2015.

Debt and Capital Structure

Long-term indebtedness, including the current portion of long-term debt and convertible debentures, declined to $131.7 million at December 31, 2015, from $169.8 million at December 31, 2014. The $38.1 million decrease mainly reflects the repayment of the 2010 convertible debentures on June 30, 2015. Long-term indebtedness consists of $80.5 million (December 31, 2014 - $166.8 million) principal value at maturity of outstanding convertible debentures and the principal value of long-term debt of $51.2 million (December 31, 2014 - $3.1 million) before the deduction of deferred financing fees.

The current portion of long-term debt was $2.4 million as at December 31, 2015 (December 31, 2014 - $0.4 million). The current portion of convertible debentures was nil at December 31, 2015 (December 31, 2014 - $84.8 million). The 2010 convertible debentures that comprised the December 31, 2014 current portion of convertible debentures were settled on June 30, 2015 through cash on hand, combined with a draw on our Revolver.

We monitor our capital structure through the use of indebtedness to capitalization and net long-term indebtedness to EBITDA metrics. Indebtedness to capitalization at December 31, 2015 was 37%, which compares favourably to 44% at December 31, 2014 and is in line with our long-term targeted range of 20% to 40%.

As at December 31, 2015, our net long-term indebtedness to EBITDA ratio was 1.8, representing a slight increase from 1.5 at December 31, 2014. The change was driven by an increase in net debt due to the acquisition of Studon in the first quarter of 2015, partially offset by the conversion of non-cash working capital to cash resulting from decreases in activity levels in 2015 as compared to 2014 and by the positive impact of improved 2015 EBITDA performance. Notwithstanding the increase in net long-term indebtedness to EBITDA in 2015, we are below the targeted three-to-five year planning range of 2.0 to 3.0.

As at December 31, 2015, we were in full compliance with our Revolver covenants.

Ratio	Covenant	Actual as at Dec. 31, 2015
Interest coverage	>3.00:1.00	4.06
Total debt to EBITDA[1]	<3.00:1.00	0.93

Notes: [1] On July 16, 2015, the terms of our Revolver were amended to eliminate the working capital ratio and senior debt to EBITDA ratio covenants, and to revise the total debt to EBITDA ratio covenant to not more than 3.00:1.00.

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

Revolver Amendments

On July 16, 2015, we completed a three-year extension to our Revolver under improved terms and conditions. The Revolver now consists of a $155.0 million credit facility and a $20.0 million operating facility. The combination of these two facilities provides us with maximum available borrowing capacity of $175.0 million, as compared to $167.4 million under the previous terms of the Revolver. The syndicated portion of the facility continues to include a $75.0 million accordion feature. The maturity date of the Revolver was extended to July 16, 2020.

Material changes to the Revolver include the elimination of the former Working Capital ratio and the Senior Debt to EBITDA ratio financial covenants. The Revolver continues to include existing financial covenants for Interest Coverage and Total Debt to EBITDA. The Interest Coverage ratio covenant remains the same at not less than 3.00:1.00 and the Total Debt to EBITDA ratio covenant has been reduced by 0.25 such that it shall not exceed 3.00:1.00, with a temporary increase to 3.25:1.00 for a period of two quarters following the completion of a material acquisition. These amendments are expected to expand our available borrowing capacity, if needed, to support operations, finance capital expenditures and support growth strategies. The amendments also provide us with additional flexibility in terms of our ability to make investments without securing approval from the syndicated lenders, by increasing the limit from $10.0 million to $25.0 million.

The amended and restated Revolver containing all of the foregoing changes and certain other non-material changes is available under our SEDAR profile at www.sedar.com.

Summary of Cash Flows

	Year ended December 31	
$millions	**2015**	**2014**[(1)]
Operating activities	**62.2**	23.2
Investing activities	**(65.7)**	30.0
Financing activities	**(62.8)**	14.7
(Decrease) increase in cash	**(66.3)**	67.9
Cash and cash equivalents, beginning of period	**104.1**	36.2
Cash and cash equivalents, end of period[(2)]	**37.8**	104.1

Notes: [(1)] This table includes both continuing and discontinued operations. Please refer to the accompanying notes of our December 31, 2015 Audited Consolidated Annual Financial Statements.
[(2)] Cash and cash equivalents includes restricted cash. Please refer to *Note 17* of the December 31, 2015 Audited Consolidated Annual Financial Statements.

For the year ended December 31, 2015, cash generated from operating activities was $62.2 million as compared to cash generated of $23.2 million in 2014, a year-over-year improvement of $39.0 million. The increase was driven primarily by a $28.9 million improvement in the change in non-cash working capital year-over-year from the conversion of non-cash working capital to cash in 2015 for all of our groups, compared to a working capital investment last year. The remainder of the improvement was driven by improved operating performance.

Cash used by investing activities increased to $65.7 million in 2015, from cash generated of $30.0 million in 2014, a net additional cash outflow of $95.7 million. This reflects the $62.3 million of cash consideration to complete the Studon acquisition in 2015 and a year-over-year decline in proceeds on the cash disposal of assets (including Broda) of $38.9 million in 2014, partially offset by a $5.4 million decline in property and equipment and intangible additions in 2015. Decreased spending on property, equipment and intangibles in 2015 primarily reflects the 2014 divestiture of our former Broda business, which was more capital intensive relative to our other businesses.

Cash used by financing activities totalled $62.8 million in 2015, as compared to $14.7 million of cash generated by financing activities in 2014. The $77.5 million increase in cash used by financing activities primarily reflects the repayment of our $86.3 million 2010 convertible debentures on June 30, 2015 by way of cash on hand and a draw on our Revolver. This compares to the September 2014 issuance of convertible debentures that generated net proceeds of $76.6 million, which in part were used to pay down the Revolver.

Adjusted Free Cash Flow

	Three months ended December 31		Year ended December 31	
$millions, except per share data	**2015**	**2014**	**2015**	**2014**
Adjusted free cash flow[1]	**11.2**	7.0	**33.7**	18.2
Adjusted free cash flow per share[1]	***0.42***	*0.28*	***1.28***	*0.73*

Notes: [1] "Adjusted free cash flow" and "adjusted free cash flow per share" are non-IFRS measures. Refer to "Non-IFRS Measures" for their definitions and calculations.

Adjusted free cash flow in the fourth quarter of 2015 improved to $11.2 million ($0.42 per share), an increase of $4.2 million from $7.0 million ($0.28 per share) in Q4 2014. This improvement primarily reflects improved net income in 2015.

Full year 2015 adjusted free cash flow was $33.7 million ($1.28 per share), an increase of $15.5 million from $18.2 million ($0.73 per share) in 2014. This improvement reflects improved operating performance and lower capital expenditures.

External Factors Impacting Liquidity

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

CAPITAL RESOURCES

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

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

Capital expenditures, including both property, equipment and intangible assets, are associated with our need to maintain and support existing operations. For 2016, we are continuing to restrict capital spending to only those assets we are contractually committed to acquire or that are needed in order to execute our backlog of work. We expect to keep capital expenditures for 2016 within a range of $6.5 million to $8.0 million as we continue to monitor and assess the health of the Western Canadian construction market in a low oil price environment. Cash capital expenditures, net of tenant inducement cash receipts and leases capitalized for accounting purposes, are expected to be $4.0 million to $5.5 million in 2016, as compared to $4.5 million in 2015.

Working Capital

As at December 31, 2015, we had working capital of $64.4 million, compared to $54.4 million at December 31, 2014. The $10.0 million increase primarily reflects the settlement of our 2010 convertible debentures (which were classified as a current liability at December 31, 2014) on June 30, 2015 for $86.3 million, partially offset by a reduction in cash to fund the purchase of Studon on January 6, 2015 and the use of operating cash flow to pay down the Revolver.

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

For additional information regarding our management of capital, please refer to *Note 32* of the December 31, 2015 Audited Consolidated Annual Financial Statements.

Contractual Obligations

The following are our contractual financial obligations as at December 31, 2015. Interest payments on the Revolver have not been included in the table below as they are subject to variability based upon outstanding balances at various points throughout the year. Further information is included in *Note 31(c)(iii)* of the December 31, 2015 Audited Consolidated Annual Financial Statements.

$thousands	**Carrying amount**	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	**$ 178,373**	$ 178,373	$ 178,373	$ -	$ -	$ nil
Provisions including current portion	**13,375**	14,263	7,793	5,068	367	1,035
Convertible debentures (debt portion)	**72,529**	99,820	4,830	9,660	85,330	nil
Long-term debt including current portion	**48,934**	51,433	2,517	708	48,208	nil
Operating lease commitments	**nil**	61,414	8,226	14,358	14,358	24,472
	$ 313,211	$ 405,303	$ 201,739	$ 29,794	$ 148,263	$ 25,507

Scheduled long-term debt principal repayments due within one year of December 31, 2015 were $2.4 million (December 31, 2014 - $0.4 million), while scheduled convertible debenture principal repayments for this same period were nil (December 31, 2014 - $86.3 million).

Share Data

As at December 31, 2015, we had 26,532,482 common shares issued and outstanding and 1,715,118 options convertible into common shares (December 31, 2014 - 25,054,310 common shares and 1,682,042 options). Please refer to *Note 28* and *Note 29* of the Audited Consolidated Annual Financial Statements for further detail. On January 14, 2016, we issued 103,229 shares pursuant to our Dividend Reinvestment Plan ("DRIP"). The details pertaining to our DRIP are available on our website. As at March 1, 2016, we had 26,635,711 common shares issued and outstanding and 1,682,042 options convertible into common shares.

The $80.5 million of 6.0% convertible debentures issued in 2014 are convertible into 5,689,046 common shares, based on a conversion price of $14.15 per share.

At December 31, 2015, shareholders' equity was $225.0 million, compared to $216.6 million at December 31, 2014. This $8.4 million increase reflects $11.2 million of 2015 net earnings, the issuance of $6.6 million in common shares as part of the consideration for the Studon acquisition, $2.1 million related to shares issued pursuant to the DRIP, $0.8 million related to stock option expense, and a $0.3 million year-to-date defined benefit plan actuarial gain, net of tax, partially offset by $12.7 million of dividends declared.

DIVIDENDS

Declaration of Common Share Dividend

On March 1, 2016, our Board of Directors declared a common share dividend of $0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable April 14, 2016 to shareholders of record on March 31, 2016. The declaration of this dividend reflects the Board's confidence in our ability to generate cash flows adequate to support our growth strategy, while providing a certain amount of income to our shareholders.

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

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements in place at December 31, 2015.

RELATED PARTY TRANSACTIONS

For the year ended December 31, 2015, we incurred facility costs of $0.5 million (2014 - nil) for the rental of buildings that are partially owned indirectly by Don Sutherland, the President of Studon. No amounts are included in trade payables as at December 31, 2015 and 2014.

We incurred 2015 facility costs of $0.3 million (2014 – $0.3 million) for the rental of a building that is 50% owned by Schneider Investments Inc., a company owned by George Schneider, a former Director of the Corporation. No amounts are included in trade payables as at December 31, 2015 and 2014.

We incurred facility costs of nil in 2015 (2014 – $0.3 million) for the rental of a building owned by Broda Holdings (2009) Inc., a company owned by Gord Broda, the President of a former subsidiary of the Corporation. No amounts are included in trade payables as at December 31, 2015 and 2014. We reclassified these facility costs as discontinued operations in the consolidated statements of earnings (loss).

On September 1, 2014, we completed the sale of Broda to TriWest Capital Partners and certain members of the senior management team of Broda, including the president, for gross cash proceeds of $38.8 million. Gord Broda had an indirect interest in the entity that acquired Broda. Chad Danard, a Stuart Olson Director and a Managing Director of TriWest, did not participate in any discussions related to the Broda disposition. TriWest recognized the potential conflict and took steps to ensure that Mr. Danard was not involved at any time in discussions at TriWest pertaining to the Broda disposition.

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QUARTERLY FINANCIAL INFORMATION

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

	2015 Quarter Ended:				2014 Quarter Ended[2]:			
$millions, except per share amounts	**Dec. 31**	**Sep. 30**	**Jun. 30**	**Mar. 31**	Dec. 31[3]	Sep. 30	Jun. 30	Mar. 31
Contract revenue	**283.1**	**281.7**	**303.7**	**282.9**	364.5	350.4	322.9	268.5
EBITDA[1]	**11.5**	**15.9**	**13.2**	**10.6**	13.7	10.9	9.9	8.9
Net earnings (loss) from continuing operations	**2.1**	**6.4**	**1.7**	**1.0**	1.2	2.8	1.8	1.3
Net earnings (loss) from discontinued operations	**nil**	**nil**	**nil**	**nil**	(0.7)	(15.7)	(1.9)	(1.9)
Net earnings (loss)	**2.1**	**6.4**	**1.7**	**1.0**	0.5	(12.9)	nil	(0.6)
Net earnings (loss) per common share								
Basic from continuing operations	**0.08**	**0.24**	**0.06**	**0.04**	0.05	0.11	0.07	0.05
Basic earnings (loss) per share	**0.08**	**0.24**	**0.06**	**0.04**	0.02	(0.52)	nil	(0.02)
Diluted from continuing operations	**0.08**	**0.18**	**0.06**	**0.04**	0.05	0.11	0.07	0.05
Diluted earnings (loss) per share	**0.08**	**0.18**	**0.06**	**0.04**	0.02	(0.52)	nil	(0.02)

Notes: [1] "EBITDA" is a non-IFRS measure, refer to "Non-IFRS Measures" for the definition.
[2] Amounts have been restated as a result of the reclassification of Broda to discontinued operations. See the "Discontinued Operations" subsection of "Results of Operations by Business Group" of this MD&A and *Note 14* of our December 31, 2015 Audited Consolidated Financial Statements.
[3] "EBITDA" for the quarter ended December 31, 2014 has been recalculated as a result of a change in definition in the year to exclude costs/recoveries from investing activities. Please refer to the "Non-IFRS Measures" section for further information.

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

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

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

Financial results for the first quarter of 2015 declined relative to the fourth quarter of 2014, with our business groups experiencing seasonal activity declines quarter-over-quarter. Notwithstanding the seasonal activity decline, net earnings improved in the first quarter of 2015 as a result of a Q4 2014 loss from discontinued operations that did not repeat in the first quarter of 2015.

Financial results for the second quarter of 2015 increased compared to the first quarter of 2015, principally due to seasonal increases in revenue and margin for the Industrial Group, margin improvement for the Buildings Group and an increase in profit associated with intersegment eliminations.

Third quarter 2015 revenue declined compared to the second quarter of 2015 due to lower activity levels for our Commercial Systems Group and Buildings Group related to project timing and weaker market conditions in Alberta. Notwithstanding the decline in revenue, EBITDA and earnings improved quarter-over-quarter as a result of improved margin earned by each of our groups.

Modest revenue increases for our Industrial Group and Commercial Systems Group in the fourth quarter of 2015 as compared to the third quarter were partially offset by a reduction in Buildings Group activity. Fourth quarter EBITDA and contract income declined primarily as a result of a shift in intercompany eliminations. Profit recorded in Q3 2015 as a result of intercompany projects reversed in the fourth quarter as these projects moved into later stages of completion.

For a more detailed discussion and analysis of quarterly results prior to December 31, 2015, please review our 2015 and 2014 Annual and Interim Reports.

CRITICAL ACCOUNTING ESTIMATES

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

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

The key assumptions and basis for the estimates that management has made under IFRS and their impact on the amounts reported in the Audited Consolidated Annual Financial Statements and notes thereto, are contained in the 2015 Annual Report, Management's Discussion and Analysis.

Convertible Debentures

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

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

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

Revenue Recognition

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

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

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

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

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

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

We recognize revenue from the sale of materials that are fabricated to customer specifications under specifically negotiated contracts.

Estimates Used to Determine Costs in Excess of Billings and Contract Advances

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

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

Estimates in Impairment of Property and Equipment, Goodwill and Intangible Assets

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

indicate that an asset may be impaired. Goodwill arose during multiple past acquisitions. The Industrial Group's goodwill stems from the Laird Electric Inc. acquisition of 2003 and the Studon acquisition on January 6, 2015. Goodwill associated with the Buildings Group and Commercial Systems Group cash generating units (CGU) arose from the Seacliff acquisition in 2010. Additional goodwill was attributed to the Commercial Systems Group CGU through the McCaine acquisition in 2011. Goodwill recognized on all of these acquisitions was attributable mainly to revenue growth, future market development, the assembled workforce and the synergies achieved from the integration of the acquired company into existing construction, commercial and industrial services. During the fourth quarter of 2015, we performed our annual goodwill impairment test. The calculated Business Enterprise Value for each of the CGUs incorporated the financial projections set out in the respective CGU's strategic plans. The annual impairment review resulted in no impairment charge in the current year.

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

Key Impairment Assessment Assumptions

The key assumptions in the value in use calculations to determine the recoverable amounts by CGU have been prepared using a four year discounted cash flow analysis with a terminal value. The financial projections used for the discounted cash flow analysis were derived from the Corporation's 2016 - 2018 Strategic Plan.

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

The terminal value was calculated using a discount rate of 11% (2014 – 12%) and a steady annual growth of 2% (2014 – 2%) in the terminal year. The same discount rate was used in each of the Corporation's CGUs given that each entity has access to the same source of debt and each CGU is ultimately governed by management at the parent Company. In addition, entity specific risks were separately factored into each CGU forecast. They take into consideration market rates of return, capital structure, company size, industry risk and after-tax cost of debt and equity.

Sensitivity of Impairment Assessment Assumptions

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

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

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

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

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

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

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

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

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

The estimated useful lives of each class of property and equipment are as follows:

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

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

Income Taxes

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

Provisions for Warranty Work and Legal Contingencies

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

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

Assumptions Used in Share-Based Payment Arrangements

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

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

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

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

Performance Share Units (PSUs) track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years and the payout can be 0% to 200% of the vested units, subject to the achievement of certain corporate objectives as approved by the Board of Directors. Each grant of PSUs is individually evaluated regularly with regard to vesting and payout assumptions. The Corporation will settle the PSUs in cash within 20 business days after vesting.

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

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

Accounts Receivable Collectability

Accounts receivable collectability requires an assessment and estimation of the creditworthiness of the client, the interpretation of specific contract terms, the strength of any security that we may have, and the timing of collection. An allowance will be provided against any amount estimated to be uncollectible, and reflected as a bad debt expense. Further information can be found in the Financial Instruments section of this report.

Measurement of Defined Benefit Pension Obligations

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

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

CHANGES IN ACCOUNTING POLICIES

Future Changes in Accounting Standards

We have reviewed new and revised accounting pronouncements that have been issued, but are not yet effective. See *Note 4* of the December 31, 2015 Audited Consolidated Annual Financial Statements for further information. We are still evaluating the potential impact of future accounting standard changes on our financial reporting.

FINANCIAL INSTRUMENTS

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

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

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

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

We establish a specific bad debt provision when we consider that the expected recovery will be less than the actual account receivable. The provision for doubtful accounts has been included in administrative costs in the Audited Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss), and is net of any recoveries that were provided for in a prior period. Allowance for doubtful accounts as at December 31, 2015 was $2.6 million (December 31, 2014 - $2.1 million).

In determining the quality of trade receivables, we consider any change in credit quality of customers from the date credit was initially granted up to the end of the reporting period. As at December 31, 2015, we had $27.4 million of trade receivables (December 31, 2014 - $21.3 million) which were greater than 90 days past due, with $24.9 million not provided for as at December 31, 2015 (December 31, 2014 - $19.2 million). Management has no concerns regarding the credit quality and collectability of these accounts as the concentration of credit risk is limited due to its large and unrelated customer base. The increase from 2014 is primarily the result of delays in resolving final contract issues with owners. Two of the more significant balances greater than 90 days have been resolved with customers and we expect collection in the first quarter of 2016. Trade receivables are included in trade and other receivables on the consolidated statements of financial position.

Financial risk is the risk to our earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. We do not use derivative instruments to reduce our exposure to this risk. At December 31, 2015, the increase or decrease in annual net earnings for each 100 basis point change in interest rates on floating rate debt would have been approximately $0.3 million (December 31, 2014 - $0.8 million) related to financial assets and $0.4 million (December 31, 2014 - nil) related to financial liabilities.

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

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

Please refer to *Note 31* of the December 31, 2015 Audited Consolidated Annual Financial Statements for further detail.

Controls & Procedures

All of the controls and procedures set out below encompass all legacy Stuart Olson companies and scope out controls for the legacy Studon business, as permitted by National Instrument 52-109 for 365 days following the acquisition.

Disclosure Controls & Procedures

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

An evaluation of the effectiveness of the design of our disclosure controls and procedures was carried out under the supervision of our management, including our CEO and CFO, with oversight by the Board of Directors and Audit Committee, as of December 31, 2015. Based on this evaluation, our CEO and CFO have concluded that the design and operation of our disclosure controls and procedures as defined in NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings was effective as at December 31, 2015.

Internal Controls over Financial Reporting

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

Under the oversight of the Board of Directors and our Audit Committee, our management, including our CEO and CFO, evaluated the design and operation of our internal controls over financial reporting using the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework (2013). The evaluation included documentation review, enquiries, testing and other procedures considered by management to be appropriate in the circumstances. As at December 31, 2015, our CEO and CFO have concluded that the design and operation of the internal controls over financial reporting as defined in NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings was effective.

Material Changes to Internal Controls over Financial Reporting

There were no changes to our internal controls over financial reporting and the environment in which they operated during the period beginning on January 1, 2015 and ending on December 31, 2015 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

NON-IFRS MEASURES

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

Contract Income Margin

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

Work-In-Hand

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

Backlog and Active Backlog

Backlog means the total value of work, including work-in-hand, that has not yet been completed that (a) is assessed by us as having high certainty of being performed by us or our subsidiaries by either the existence of a contract or work order specifying job scope, value and timing, or (b) has been awarded to us or our subsidiaries, as evidenced by an executed binding or non-binding letter of intent or agreement, describing the general job scope, value and timing of such work, and with the finalization of a formal contract respecting such work currently assessed by us as being reasonably assured.

Active backlog is the portion of backlog that is not work-in-hand (has not been contractually awarded to us). We provide no assurance that clients will not choose to defer or cancel their projects in the future.

$millions	Dec. 31, 2015	Dec. 31, 2014
Work-in-hand	**897.2**	1,080.3
Active backlog	**1,063.7**	906.5
Consolidated backlog	**1,960.9**	1,986.8

Book-to-Bill Ratio

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

Working Capital

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

$millions	Dec. 31, 2015	Dec. 31, 2014
Current assets	**319.8**	501.6
Current liabilities[1]	**(255.4)**	(447.2)
Working capital	**64.4**	54.4

Notes: [1] The convertible debentures issued in 2010, and repaid June 30, 2015, were presented as a current liability of $84.8 million as at December 31, 2014.

EBITDA and EBT

We define EBT as earnings/loss from continuing operations before income taxes.

We define EBITDA as net earnings/loss from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, costs or recoveries relating to investing activities and gains/losses on assets, liabilities and investment dispositions.

For 2015, we have revised our definition of EBITDA to exclude the impact of costs or recoveries relating to investing activities. This change was undertaken to address a recovery that was recognized as part of our 2015 EBT relating to marking-to-market a provisional liability initially recognized as part of the Studon purchase price. Further, we have revised the calculation of EBITDA for the quarter and year-ended December 31, 2014 to exclude the impact of Studon acquisition costs. As management uses EBITDA as one measure of our operating performance, we believe it is appropriate to exclude from EBITDA recoveries and costs related to investment decisions.

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

	Three months ended December 31		Year ended December 31	
$millions	2015	2014	2015	2014
Net earnings from continuing operations	**2.1**	1.2	**11.2**	7.1
Add: Income tax expense	**1.4**	1.2	**4.8**	4.1
EBT	**3.5**	2.4	**16.0**	11.2
Add: Depreciation and amortization	**4.7**	5.8	**20.3**	14.9
Impairment	**1.2**	nil	**5.2**	2.6
Finance costs	**2.1**	3.8	**12.6**	12.9
Loss (recovery) relating to investing activities	**nil**	1.7	**(2.9)**	1.7
Loss (gain) on disposal of assets	**nil**	nil	**nil)**	0.1
EBITDA	**11.5**	13.7	**51.2**	43.4

EBITDA Margin

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

Adjusted Free Cash Flow

We define adjusted free cash flow as cash generated/used in operating activities less cash expenditures of intangible, property and equipment assets (excluding business acquisition, adjusted to exclude the impact of changes in non-cash working capital balances. Per share amounts is calculated based on the basic weighted average number of shares outstanding for each period.

Management uses adjusted free cash flow as a measure of our operating performance, reflecting the amount of cash flow from operations that is available after capital expenditures (excluding business acquisitions) that is available to pay dividends, repay debt, repurchase shares or reinvest in the business. Adjusted free cash flow is particularly useful to management because it isolates both non-cash working capital invested during periods of growth and working capital converted to cash during seasonal declines in activity.

The following is a reconciliation of adjusted free cash flow and per share amounts for each of the periods presented in this MD&A.

	Three months ended December 31		**Year ended December 31**	
$millions, except per share data and number of shares	**2015**	**2014**	**2015**	**2014**
Net cash generated in operating activities	**15.6**	37.6	**62.1**	23.2
Less: Cash additions to intangible assets	**(0.3)**	(0.7)	**(0.9)**	(1.6)
Cash additions to property and equipment	**(1.8)**	(1.0)	**(3.6)**	(8.3)
Cash (used) generated by changes in non-cash working capital balances	**(2.3)**	(28.9)	**(23.9)**	4.9
Adjusted free cash flow	**11.2**	7.0	**33.7**	18.2
Adjusted free cash flow per share	**0.42**	0.28	**1.28**	0.73
Basic shares outstanding	**26,518,139**	25,048,958	**26,364,511**	24,947,817

Long-term Indebtedness

Long-term indebtedness is the gross value of our indebtedness. It is calculated as the principal value of long-term debt (current and non-current amounts before the deduction of deferred financing fees) and principal value at maturity of convertible debentures.

Indebtedness to Capitalization

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

Net Long-Term Indebtedness to EBITDA

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

FORWARD-LOOKING INFORMATION

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

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

- Our capital expenditure program for the remainder of 2015;
- Our objective to manage our capital resources so as to ensure that we have sufficient liquidity to pursue growth objectives, while maintaining a prudent amount of financial leverage;
- Our belief that we have sufficient capital resources and liquidity, and ability to generate ongoing cash flows to meet commitments, support operations, finance capital expenditures, support growth strategies and fund declared dividends;
- The expectation that we resolve remaining contract issues on certain projects in 2016;
- Our outlook on the business including, without limitation, those statements in the section entitled “Outlook” relating to backlog execution, project mix and timing, earnings visibility, revenue, margin, new contract awards and industrial maintenance work;
- The expectation that changes to our Revolver will expand borrowing capacity to support operations, finance capital expenditures and support growth strategies;
- The Board’s confidence in our ability to generate sufficient operating cash flows to support management’s business plans, including its growth strategy, while providing a certain amount of income to shareholders;
- Our estimate of the value of the five-year MSA to provide MRO services to a longstanding oil sands customer;
- The expectation that any of our business groups will improve or maintain their business prospects or continue to grow their revenue, earnings, profitability and backlog in any manner whatsoever including, without limitation, through margin expansion, organic growth, new project awards or productivity efficiencies;
- Expectations as to future general economic conditions and the impact those conditions may have on the company and our businesses including, without limitation, the reaction of oil sands owners to the recent decrease in oil prices;
- Expectations regarding the ability of counterparties with whom we invest cash and equivalents to meet their obligations; and
- Our projected use of cash resources.

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

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

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

- General global economic and business conditions including the effect, if any, of a slowdown in Western Canada and/or a slowdown in the United States;
- Fluctuations in the price of oil, natural gas and other commodities;
- Weak capital and/or credit markets;
- Fluctuations in currency and interest rates;
- Changes in laws and regulations;
- Limited geographical scope of operations;
- Timing of client's capital or maintenance projects;
- Dependence on the public sector;
- Competition and pricing pressures;
- Unexpected adjustments and cancellations of projects;
- Action or non-action of customers, suppliers and/or partners;
- Inadequate project execution;
- Unpredictable weather conditions;
- Erroneous or incorrect cost estimates;
- Adverse outcomes from current or pending litigation;
- Interruption of information technology systems; and
- Those other risk factors described in our most recent Annual Information Form.

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

Additional Information

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

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MANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

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

David LeMay, MBA
President and Chief Executive Officer

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

March 1, 2016

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stuart Olson Inc.

We have audited the accompanying consolidated financial statements of Stuart Olson Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of earnings (loss) and comprehensive earnings (loss), consolidated statements of changes in equity and consolidated statements of cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

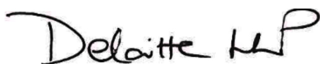
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stuart Olson Inc. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Chartered Accountants
March 1, 2016
Edmonton, Canada

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STUART OLSON INC.

Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

For the years ended December 31, 2015 and 2014

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

	Note		**December 31, 2015**		December 31, 2014
Contract revenue	8	**$**	**1,151,416**	$	1,306,259
Contract costs			**1,029,679**		1,190,600
Contract income			**121,737**		115,659
Other income	9		**863**		558
Finance income	10		**514**		394
Administrative costs			**(94,435)**		(92,530)
Finance costs	10		**(12,638)**		(12,866)
Earnings from continuing operations before tax			**16,041**		11,215
Income tax (expense) recovery					
Current income tax			**(7,749)**		(6,930)
Deferred income tax			**2,903**		2,860
	13		**(4,846)**		(4,070)
Net earnings from continuing operations			**11,195**		7,145
Net loss from discontinued operations	14		**-**		(20,224)
Net earnings (loss)			**11,195**		(13,079)
Other comprehensive earnings (loss)					
Items that will not be reclassified to net earnings (loss)					
Defined benefit plan actuarial gain (loss)	15		**363**		(4,293)
Deferred tax (expense) recovery on other comprehensive earnings (loss)	13		**(97)**		1,095
			266		(3,198)
Total comprehensive earnings (loss)		**$**	**11,461**	$	(16,277)
Earnings (loss) per share:					
Basic from continuing operations		**$**	**0.42**	$	0.29
Basic from discontinued operations			**-**		(0.81)
Basic earnings (loss) per share	16	**$**	**0.42**	$	(0.52)
Diluted from continuing operations		**$**	**0.39**	$	0.28
Diluted from discontinued operations			**-**		(0.81)
Diluted earnings (loss) per share	16	**$**	**0.39**	$	(0.53)
Weighted average common shares:					
Basic	16		**26,364,511**		24,947,817
Diluted from continuing operations	16		**41,261,341**		25,088,783
Diluted from discontinued operations	16		**-**		24,947,817

See accompanying notes to the consolidated financial statements.

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STUART OLSON INC.
Consolidated Statements of Financial Position
As at December 31, 2015 and December 31, 2014
(in thousands of Canadian dollars)

	Note	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents	17	**$ 33,667**	$ 104,113
Trade and other receivables	18	**215,937**	336,996
Inventory		**1,638**	989
Prepaid expenses		**3,263**	2,912
Costs in excess of billings	19	**58,988**	54,819
Income taxes recoverable		**6,264**	1,734
Current portion of long-term receivable		**30**	55
		319,787	501,618
Restricted cash	17	**4,172**	-
Service provider deposit	20	**6,799**	5,549
Long-term receivable and prepaid expenses		**1,944**	340
Deferred tax asset	13	**24,085**	27,163
Property and equipment	21	**22,281**	24,230
Goodwill	22	**214,024**	179,016
Intangible assets	23	**53,708**	45,695
		$ 646,800	$ 783,611
LIABILITIES			
Current liabilities			
Trade and other payables	24	**$ 178,373**	$ 264,196
Contract advances and unearned income	19	**59,698**	89,506
Current portion of provisions	25	**7,705**	2,616
Income taxes payable		**7,278**	5,686
Current portion of long-term debt	26	**2,369**	391
Current portion of convertible debentures	27	**-**	84,828
		255,423	447,223
Employee benefits	15(b)	**4,680**	6,341
Provisions	25	**5,670**	4,913
Long-term debt	26	**46,565**	817
Convertible debentures	27	**72,529**	70,932
Deferred tax liability	13	**30,782**	30,382
Share-based payments	28(d)	**4,652**	6,382
Other liabilities		**1,517**	-
		421,818	566,990
EQUITY			
Share capital	29(a)	**140,457**	131,724
Convertible debentures	27	**4,589**	11,689
Share-based payment reserve	28(a)	**10,176**	9,341
Contributed surplus		**12,228**	5,128
Retained earnings		**57,532**	58,739
		224,982	216,621
		$ 646,800	$ 783,611

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

Albrecht W.A. Bellstedt
Chairperson

Rod Graham
Director

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STUART OLSON INC.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars)

	Note	Share Capital	Convertible Debentures	Share-Based Payment Reserve	Contributed Surplus	Retained Earnings	Total Equity
Balance at December 31, 2014		$ 131,724	$ 11,689	$ 9,341	$ 5,128	$ 58,739	$ 216,621
Net earnings						**11,195**	**11,195**
Other comprehensive earnings:							
Defined benefit plan actuarial gain, net of tax						**266**	**266**
Total comprehensive earnings						**11,461**	**11,461**
Transactions recorded directly to equity							
Common shares issued under stock option plan	28(a)			**835**			**835**
Common shares issued related to acquisition	5, 29(a)	**6,631**					**6,631**
Matured and settled convertible debentures	27		**(7,100)**		**7,100**		**-**
Dividends	29(a,b)	**2,102**				**(12,668)**	**(10,566)**
Balance at December 31, 2015		**$ 140,457**	**$ 4,589**	**$ 10,176**	**$ 12,228**	**$ 57,532**	**$ 224,982**
Balance at December 31, 2013		$ 129,134	$ 7,100	$ 8,594	$ 5,128	$ 87,002	$ 236,958
Net loss						(13,079)	(13,079)
Other comprehensive loss:							
Defined benefit plan actuarial loss, net of tax						(3,198)	(3,198)
Total comprehensive loss						(16,277)	(16,277)
Transactions recorded directly to equity							
Issued during the year	27		4,589				4,589
Common shares issued under stock option plan	29(a), 28(a)	1,234		747			1,981
Dividends	29(a,b)	1,356				(11,986)	(10,630)
Balance at December 31, 2014		$ 131,724	$ 11,689	$ 9,341	$ 5,128	$ 58,739	$ 216,621

See accompanying notes to the consolidated financial statements.

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STUART OLSON INC.
Consolidated Statements of Cash Flow
For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars)

	Note	**December 31, 2015**	December 31, 2014 [1]
OPERATING ACTIVITIES			
Net earnings (loss)		**$ 11,195**	$ (13,079)
Depreciation and amortization	11	**20,304**	19,498
Impairment loss on property and equipment	21	**1,170**	2,596
Impairment loss on intangible assets	5,23	**4,000**	-
Change in fair value of contingent consideration	5,25	**(2,935)**	-
(Gain) loss on disposal of assets		**(149)**	2,226
Loss on disposal of discontinued operation, net of tax	14	**-**	16,842
Share-based compensation expense	28(e)	**2,066**	3,527
Income tax expense (recovery)	13	**4,846**	(141)
Income tax recovery recorded in indirect costs		**(1,023)**	-
Finance costs	10	**12,638**	13,051
Contributions to employee benefits		**(1,298)**	(1,591)
Payment of share-based payment liability		**(1,892)**	(1,611)
Change in long-term prepaid expenses		**(1,619)**	-
Change in provisions	25	**5,846**	(1,350)
Change in other long-term liabilities		**1,517**	-
Change in non-cash working capital balances	30	**23,995**	(4,871)
Cash generated in operating activities		**78,661**	35,097
Interest paid		**(8,994)**	(8,962)
Income taxes paid		**(7,501)**	(2,948)
Net cash generated in operating activities		**62,166**	23,187
INVESTING ACTIVITIES			
Acquisition of Studon	5	**(62,335)**	-
Change in long-term receivable		**40**	(145)
Proceeds on disposal of assets		**1,141**	39,993
Additions to intangible assets	23	**(920)**	(1,558)
Additions to property and equipment	21	**(3,600)**	(8,312)
Net cash (used) generated in investing activities		**(65,674)**	29,978
FINANCING ACTIVITIES			
Change in service provider deposit	20	**(1,250)**	608
Proceeds of long-term debt	26	**214,000**	417,500
Repayment of long-term debt	26	**(178,876)**	(470,289)
Issuance of 2014 convertible debentures	27	**-**	76,623
Repayment of 2010 convertible debentures	27	**(86,250)**	-
Issuance of common shares		**-**	869
Dividend paid	29(b)	**(10,390)**	(10,599)
Net cash (used) generated in financing activities		**(62,766)**	14,712
(Decrease) increase in cash and cash equivalents during the year		**(66,274)**	67,877
Cash and cash equivalents, beginning of the year		**104,113**	36,236
Cash and cash equivalents[2], end of the year		**$ 37,839**	$ 104,113

See accompanying notes to the consolidated financial statements.

[1] Comparative 2014 figures include both continuing and discontinued operations.

[2] Cash and cash equivalents includes restricted cash (Note 17).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars, except share and per share amounts)

1. REPORTING ENTITY

Stuart Olson Inc. was incorporated on August 31, 1981 under the Companies Act of Alberta and was continued under the Business Corporations Act (Alberta) on July 30, 1985. The principal activities of Stuart Olson Inc. and its subsidiaries (collectively, the Corporation) are to provide general contracting and electrical building systems contracting in the institutional and commercial construction markets, as well as electrical, mechanical and specialty trades, such as insulation, cladding and asbestos abatement, in the industrial construction and services market. The Corporation provides its services to a wide array of clients in the public, private and industrial sectors within Canada.

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

2. BASIS OF PRESENTATION

(a) Statement of Compliance

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

These consolidated financial statements were approved by the Corporation's Board of Directors on March 1, 2016.

(b) Functional and presentation currency

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

(c) Basis of measurement

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

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

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

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

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

- Convertible debentures – judgments applied to determine the classification of debt and equity components of convertible debentures (Note 27); judgments applied in the selection of comparable marketable debentures used in the calculation of the fair value of the liability component of convertible debentures (Note 31(b)); and
- Income taxes – judgments applied to determine the likelihood of future taxable profits that will be sufficient to permit the recovery of deferred income tax assets (Note 13); judgments exercised in the assessment of continually changing tax interpretations, regulations, and legislations.

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

- Revenue recognition – estimates used to determine percentage of completion for construction contracts, specifically related to estimated costs to complete included in the various construction projects (Note 8). In addition, estimates are used to determine variations, claims and incentives included in contract values;
- Estimates used to determine costs in excess of billings and contract advances (Note 19);
- Estimates used to determine allowance for doubtful accounts (Note 18 and 31(c)(i));
- Measurement of defined benefit pension obligations (Note 15);
- Property and equipment – estimates related to the useful lives and residual values of assets (Note 21);
- Estimates in impairment of property and equipment, goodwill and intangible assets (Note 21, 22 and 23);
- Provisions – estimates associated with amounts and timing (Note 25);
- Assumptions used in share-based payment arrangements (Note 28); and
- Assumptions and estimates surrounding the fair value of assets and liabilities recognized through business combinations (Note 5).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

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

(i) Business combinations

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

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

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

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

When the consideration transferred includes liabilities from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are those that arise from additional information obtained during the 'measurement period' about facts and circumstances that existed at the acquisition date.

Subsequent to the acquisition date, contingent consideration that is classified as a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognized in earnings or loss.

(ii) Joint arrangements

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

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

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

(b) Segment reporting

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

(c) Revenue recognition

(i) Construction contracts

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

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

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

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

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

(ii) Service contracts

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

(iii) Sale of goods

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

(d) Finance income and finance costs

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

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

(e) Income taxes

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

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

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

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

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

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

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

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

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

(f) Employee benefits

(i) Short-term employee benefits

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

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

(ii) Post-employment benefits

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

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

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

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

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

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

(iii) Share-based payments

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

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

(g) Earnings per share

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

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

(h) Financial instruments

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

(i) Financial assets

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

Derivative instruments are recorded on the consolidated statements of financial position at fair value with both realized and unrealized changes in fair value recognized immediately in other income in the consolidated statements of earnings (loss). As at December 31, 2015, the Corporation did not have any outstanding financial derivatives.

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

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

(ii) Financial liabilities

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

Financial liabilities are initially recognized at fair value plus any transaction costs directly attributable to the liability except for financial liabilities classified as fair value through profit or loss. Financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when their contractual obligations are discharged, cancelled or have expired.

The Corporation has the following financial assets and liabilities:

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

(iii) Compound financial instruments

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

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

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

(i) Cash and cash equivalents

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

(j) Restricted cash

Restricted cash is comprised of cash and cash equivalents for which the use is externally restricted for specific purposes.

(k) Inventory

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

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

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

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

(m) Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives of each class of property and equipment are as follows:

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

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

(n) Goodwill

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

(o) Intangible assets

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

The estimated useful lives of each class of intangible assets are as follows:

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

(p) Impairment

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). For the purpose of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

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

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

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

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

(r) Provisions

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

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

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

The Corporation has several classes of provisions including:

(i) Warranties

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

(ii) Restructuring

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

(iii) Claims and disputes

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

(iv) Subcontractor default

Subcontractor default provision relates to management's best estimate of exposures and costs associated with prior or existing subcontractor performance and the risk of potential default. Management conducts a thorough review of the liability every reporting period and takes into consideration the Corporation's experience to date with those subcontractors, some of which are enrolled in its subcontractor default insurance program, and the changes to factors that tend to affect the construction sector. The current portion of the subcontractor default liability represents the risk related to payments not covered by the insurance deductible.

(s) Leases

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

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

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

(t) Share capital

Common shares

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

Dividend reinvestment plan (DRIP)

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

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

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

(v) Other equity

Contributed surplus represents the equity components of compound financial instruments that were settled without being converted into equity.

4. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

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

(a) IFRS 15 – *Revenue from Contracts with Customers*

In May 2014, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly issued IFRS 15, which supersedes IAS 11 – *Construction Contracts* and IAS 18 – *Revenue*, and related interpretations. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

(b) IFRS 9 – *Financial Instruments*

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

(c) IFRS 16 – *Leases*

On January 13, 2016, the IASB issued IFRS 16 to replace IAS 17 – *Leases*. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Corporation is currently evaluating the impact of this standard on its consolidated financial statements.

5. ACQUISITION

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

The total purchase price of $71,901 is composed of three components, being cash of $62,335, common shares of the Corporation valued at $6,631 and a preliminary estimate of the contingent consideration through earn-out payments over the next three years of $2,935.

The share consideration was based on a 20-day volume weighted average market price and is subject to a lock-up period of 720 days, with one-third of the common shares issued as part of the acquisition to be released from lock-up every 240 days following closing. The fair value of the 1,103,081 common shares issued is based on a share price of $6.01. The accounting share price was calculated by taking the trading value at the time of the close of the transaction of $6.99 and discounting it by 14% to reflect the impact of the lock-up period.

The preliminary estimate of the contingent consideration represents a maximum payment of $22,298 through earn-out payments over fiscal 2015, 2016 and 2017. The earn-out payments are based on Studon's annual EBITDA exceeding a threshold of $16,779, with the threshold being increased by 50% for every dollar that Studon's prior year EBITDA is less than $16,779.

For the purposes of the earn-out payment calculation, EBITDA is defined as net earnings/loss before interest expense, income taxes, capital asset depreciation and amortization, and gains/losses on assets, liabilities and investment dispositions. While EBITDA is a common financial measure widely used by investors to facilitate an "enterprise level" valuation of an entity, it does not have a standardized definition prescribed by IFRS, and therefore other issuers may calculate it differently. EBITDA is calculated using the stand-alone financial statements of Studon, prepared in accordance with Accounting Standards for Private Enterprises (ASPE), Studon's former basis of accounting.

During the second quarter of 2015, adjustments were made to the purchase price allocation (PPA) to reflect new information obtained by management with respect to facts and circumstances that existed as of January 6, 2015. As management received and assessed the impact of this new information, which primarily reflected the expected capital and maintenance spending plans of Studon's customers and the impact of this information on Studon's forecasted results for the earn-out period, they identified a decrease in the provisional amounts recognized under contingent consideration and intangible assets. Additionally, Studon tax returns for pre-acquisition taxation periods were completed during the second quarter. The impact of these measurement period adjustments was a $4,628 decrease in contingent consideration, $52 decrease in income tax receivable, $800 decrease in intangible assets, $4,022 decrease in goodwill and $246 decrease in deferred income tax liabilities. Subsequent to these adjustments, the PPA was finalized at December 31, 2015.

Cost of Acquisition		
Cash	$	62,335
Shares issued		6,631
Contingent consideration		2,935
	$	**71,901**

Identifiable Assets Acquired and Liabilities Assumed		
Trade and other receivables	$	20,207
Income tax recoverable		1,673
Costs in excess of billings		7,189
Inventory		647
Prepaid expenses		116
Property and equipment		4,610
Intangible assets		22,553
Goodwill		35,008
Long-term debt, including finance lease obligations		(10,641)
Trade and other payables		(3,177)
Deferred income taxes		(6,284)
	$	**71,901**

During the third quarter of 2015, management assessed and reduced its estimate of the contingent consideration payable by $2,935 due to the impact of the continued weakness in commodity prices on the demand for services provided by Studon. In addition, management recognized an impairment loss of $4,000 with respect to specific intangible assets acquired that were impacted by current economic conditions. The net impact of the change in contingent consideration payable and the impairment loss of $1,065 and the deferred income tax recovery of $1,080 was included in administrative costs and deferred income tax recovery, respectively, in the consolidated statements of earnings (loss).

From the date of acquisition to December 31, 2015, Studon's revenue totaled $80,827 and its net earnings totaled $2,532. If the date of the acquisition had been January 1, 2015, pro forma consolidated revenues and net earnings of the Corporation would remain the same as those reported in the consolidated statements of earnings (loss) for the year ended December 31, 2015.

Goodwill and Intangible Assets

The $35,008 of goodwill recognized as part of the acquisition is mainly attributed to revenue growth, future market development, the assembled workforce and the synergies achieved from the integration of Studon into existing construction and industrial services. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured. The $22,553 of identifiable intangible assets acquired includes tradename, backlog and customer relationships. During the year ended December 31, 2015, an impairment loss of $4,000 was recorded in respect of the backlog and customer relationships intangible assets.

6. SEGMENTS

The Corporation operates as a construction and maintenance services provider, primarily in Western Canada. The Corporation divides its operations into four reporting segments and reports its results under the categories of: Industrial Group, Buildings Group, Commercial Systems Group and Corporate Group. On January 6, 2015, the Corporation acquired Studon (Note 5) and its results are reported as part of the Industrial Group segment. The accounting policies and practices for each of the segments are the same as those described in Note 3. Segment capital expenditures are the total cost incurred during the year to acquire property and equipment and intangible assets.

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

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

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

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

A significant customer is one that represents 10% or more of contract revenue earned during the year. For the year ended December 31, 2015, the Corporation had no significant customers from the Industrial Group (2014 – $163,727 of revenue from one significant customer) and one significant customer from the Buildings Group with revenue of $163,167 (2014 – $147,630 of revenue from one significant customer).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars, except share and per share amounts)

For the year ended December 31, 2015	Industrial Group	Buildings Group	Commercial Systems Group	Corporate Group	Intersegment Eliminations	Total
Contract revenue	$ 406,730	$ 548,491	$ 233,545	$ -	$ (37,350)	$ 1,151,416
EBITDA [1]	29,979	17,087	19,388	(19,125)	3,740	51,069
Depreciation and amortization (Note 11)	8,751	2,461	1,737	7,144	211	20,304
Impairment loss on property and equipment (Note 21)	-	1,170	-	-	-	1,170
Impairment loss on intangible assets (Note 5)	4,000	-	-	-	-	4,000
Recovery relating to investing activities (Note 5)	(2,935)	-	-	-	-	(2,935)
(Gain) loss on sale of assets	(144)	30	(35)	-	-	(149)
Finance costs (Note 10)	269	1	-	12,368	-	12,638
Earnings (loss) from continuing operations before tax	$ 20,038	$ 13,425	$ 17,686	$ (38,637)	$ 3,529	$ 16,041
Income tax expense						(4,846)
Net earnings from continuing operations						$ 11,195
Goodwill and intangible assets	$ 57,253	$ 122,347	$ 71,588	$ 16,544	$ -	$ 267,732
Capital and intangible expenditures	$ 2,973	$ 522	$ 1,268	$ 1,047	$ -	$ 5,810
Total assets	$ 178,155	$ 293,341	$ 144,447	$ 375,548	$ (344,691)	$ 646,800
Total liabilities	$ 55,842	$ 176,066	$ 60,777	$ 142,673	$ (13,540)	$ 421,818

For the year ended December 31, 2014	Industrial Group	Buildings Group	Commercial Systems Group	Corporate Group	Intersegment Eliminations	Total
Contract revenue	$ 407,781	$ 693,653	$ 242,275	$ -	$ (37,450)	$ 1,306,259
EBITDA [1] [2]	36,088	12,040	19,367	(23,042)	(1,101)	43,352
Depreciation and amortization (Note 11)	2,552	3,491	1,620	7,009	211	14,883
Impairment loss on property and equipment (Note 21)	-	2,596	-	-	-	2,596
Cost relating to investing activities [2]	-	-	-	1,680	-	1,680
Loss (gain) on sale of assets	76	65	(39)	10	-	112
Finance costs (Note 10)	55	-	-	12,811	-	12,866
Earnings (loss) from continuing operations before tax	$ 33,405	$ 5,888	$ 17,786	$ (44,552)	$ (1,312)	$ 11,215
Income tax expense						(4,070)
Net earnings from continuing operations						$ 7,145
Goodwill and intangible assets	$ 7,705	$ 124,173	$ 74,600	$ 18,233	$ -	$ 224,711
Capital and intangible expenditures	$ 1,448	$ 670	$ 1,904	$ 3,043	$ -	$ 7,065
Total assets	$ 141,161	$ 408,180	$ 132,762	$ 435,308	$ (333,800)	$ 783,611
Total liabilities	$ 45,848	$ 292,293	$ 56,451	$ 190,982	$ (18,584)	$ 566,990

[1] During the year, the definition of EBITDA was revised to exclude the impact of costs or recoveries relating to investing activities. The Corporation defines EBITDA as net earnings/loss from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, costs or recoveries relating to investing activities and gains/losses on assets, liabilities and investment dispositions. Costs or recoveries relating to investing activities include marking-to-market provision liabilities and transaction costs recorded as a result of a business acquisition. While EBITDA is a common financial measure widely used by investors to facilitate an "enterprise level" valuation of an entity, it does not have a standardized definition prescribed by IFRS, and therefore other issuers may calculate EBITDA differently.

[2] Corporate Group's EBITDA for the year ended December 31, 2014 has been restated to exclude the impact of the transaction costs recorded as a result of the acquisition of Studon.

7. JOINT ARRANGEMENTS

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

Name of Joint Operation	Principal Activity	Place of Incorporation or Operation	Proportion of Ownership Interest
Acciona Stuart Olson Joint Venture	Building Construction	British Columbia	50%
Kwanlin Dun First Nation - Yukon Corrections Institution JV	Building Construction	Yukon	90%
Kwanlin Dun First Nation - Whitehorse Cultural Centre JV	Building Construction	Yukon	51%
KDM-SOD Joint Venture Inc.	Building Construction	Saskatchewan	49%
Stuart Olson/Nunavut Ltd.	Industrial Construction	Nunavut	40%

During the year ended December 31, 2015, the Corporation entered into a new joint operation, Stuart Olson/Nunavut Ltd.

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

	December 31, 2015	December 31, 2014
Current assets	**$ 2,939**	$ 2,867
Current liabilities	**405**	234

	December 31, 2015	December 31, 2014
Contract revenue	**$ -**	$ 299
Contract costs and expenses	**100**	232

	December 31, 2015	December 31, 2014
Cash flow generated (used) in operating activities	**$ 360**	$ (250)

8. REVENUE

	December 31, 2015	December 31, 2014
Construction contract revenue	**$ 968,832**	$ 1,184,594
Service contract revenue	**181,580**	120,768
Sale of goods	**1,004**	897
Total revenue	**$ 1,151,416**	$ 1,306,259

9. OTHER INCOME

	December 31, 2015	December 31, 2014
Gain (loss) on sale of assets	**$ 149**	$ (112)
Discounts	**58**	52
Rebates, interest refunds and other	**656**	618
Other income	**$ 863**	$ 558

10. FINANCE INCOME AND COSTS

The finance income and costs recognized in respect of assets and liabilities not at fair value through profit or loss consists of the following:

	December 31, 2015	December 31, 2014
Finance income on cash and cash equivalents	**$ 442**	$ 394
Finance income on loans and receivables	**72**	-
Finance income	**$ 514**	$ 394
Finance costs on revolving credit facility	**$ 1,301**	$ 2,031
Other finance costs	**275**	202
Amortization of deferred financing fees on revolving credit facility	**625**	689
Finance costs on convertible debentures	**7,418**	6,544
Accretion on convertible debentures	**2,122**	2,564
Amortization of deferred financing fees on convertible debentures	**897**	836
Finance costs	**$ 12,638**	$ 12,866

11. DEPRECIATION AND AMORTIZATION

	December 31, 2015	December 31, 2014
Depreciation of property and equipment	**$ 8,844**	$ 7,582
Amortization of intangible assets	**11,460**	7,301
Total depreciation and amortization expense	**$ 20,304**	$ 14,883

Of the depreciation of property and equipment during the year ended December 31, 2015, $5,132 (2014 - $3,435) has been included in contract costs and the remainder in administrative costs in the consolidated statements of earnings (loss). Amortization of intangible assets is included in administrative costs in the consolidated statements of earnings (loss).

12. PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

	December 31, 2015	December 31, 2014
Short-term employee benefits	**$ 421,479**	$ 465,922
Employee share purchase plan expenses	**3,088**	3,167
Employee retirement matching contributions	**3,248**	3,433
Defined benefit and defined contribution pension plan expense	**2,168**	1,345
Equity-settled share-based payment transactions	**835**	1,112
Cash-settled share-based payment transactions	**1,173**	2,262
Total personnel expenses and employee benefits	**$ 431,991**	$ 477,241

For the year ended December 31, 2015, personnel expenses and employee benefits of $385,102 was included in contract costs (2014 - $425,754) and $47,481 in administrative costs (2014 - $51,487). Short-term employee benefits consist primarily of salaries and bonuses.

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

	December 31, 2015	December 31, 2014
Short-term benefits	**$ 3,558**	$ 3,963
Share-based payments [1]	**817**	1,174
	$ 4,375	$ 5,137

[1] Share-based payments include equity-settled and cash-settled share-based payments.

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

13. INCOME TAXES

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

	December 31, 2015	December 31, 2014
Current income tax expense		
Current year	**$ (8,065)**	$ (6,826)
Adjustment relating to prior years	**316**	(104)
	(7,749)	(6,930)
Deferred income tax recovery (expense)		
Origination and reversal of temporary differences	**4,261**	3,109
Impact of changes in tax rates	**(1,004)**	(103)
Adjustment relating to prior years	**(354)**	(146)
	2,903	2,860
Income tax expense	**$ (4,846)**	$ (4,070)

Reconciliation of effective tax rate:

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

	December 31, 2015	December 31, 2014
Net earnings from continuing operations before tax	**$ 16,041**	$ 11,215
Income tax at statutory rate of 26.1% (2014 - 25.3%)	**(4,187)**	(2,837)
Statutory and other rate differences	**(1,004)**	(103)
Non-deductible expenses	**(459)**	(951)
Non-taxable accounting income	**859**	59
Other	**(55)**	(238)
Income tax expense	**$ (4,846)**	$ (4,070)

The Corporation's statutory tax rate of 26.1% in 2015 (2014 – 25.3%) is the combined Canadian federal and provincial tax rates in the jurisdictions in which the Corporation operates. The increase in the statutory tax rate and expense related to statutory and other rate differences for the year ended December 31, 2015 reflects the increase in the general Alberta corporate income tax rate in 2015.

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

	December 31, 2015	December 31, 2014
Deferred tax assets		
Tax loss carry forwards	**$ 19,234**	$ 18,202
Equipment and other assets	**1,017**	1,060
Intangible assets	**27**	23
Pension and other compensation	**395**	769
Unbilled work-in-progress and holdback receivables	**(387)**	5,441
Provisions	**3,189**	1,493
Other	**610**	175
	24,085	27,163
Deferred tax liabilities		
Tax loss carry forwards	**589**	1,757
Equipment and other assets	**(81)**	(121)
Intangible assets	**(14,051)**	(10,913)
Pension and other compensation	**2,831**	2,672
Unrecognized deductible temporary differences	**(589)**	(616)
Unbilled work-in-progress and holdback receivables	**(18,488)**	(21,612)
Provisions	**401**	428
Other	**(1,394)**	(1,977)
	(30,782)	(30,382)
Net deferred income tax liability	**$ (6,697)**	$ (3,219)

Notes to the Consolidated Financial Statements

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

All deferred tax asset positions recognized by the Corporation are supported by either the reversal of existing taxable temporary differences or forecasted future taxable profits in excess of the deductible temporary differences. The Corporation has unrecognized non-capital loss carryforwards of $1,179 (2014 – $1,382) for which no deferred income tax asset could be recognized, which remain available to reduce future taxable income.

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

2015	**Asset (liability) January 1, 2015**	**Recovery (expense) recognized in profit or loss**	**Recovery (expense) recognized in OCI**	**Asset (liability) acquired in a business combination**	**Recovery (expense) recognized in equity**	**Asset (liability) December 31, 2015**
Tax loss carry forwards	**$ 19,959**	**$ (136)**	**$ -**	**$ -**	**$ -**	**$ 19,823**
Equipment and other assets	**939**	**751**	**-**	**(754)**	**-**	**936**
Intangible assets	**(10,890)**	**2,478**	**-**	**(5,612)**	**-**	**(14,024)**
Pension and other compensation	**3,441**	**(118)**	**(97)**	**-**	**-**	**3,226**
Unrecognized deductible temporary differences	**(616)**	**27**	**-**	**-**	**-**	**(589)**
Unbilled work-in-progress and holdback receivables	**(16,171)**	**(1,966)**	**-**	**(738)**	**-**	**(18,875)**
Provisions	**1,921**	**1,669**	**-**	**-**	**-**	**3,590**
Other	**(1,802)**	**198**	**-**	**820**	**-**	**(784)**
	$ (3,219)	**$ 2,903**	**$ (97)**	**$ (6,284)**	**$ -**	**$ (6,697)**
Less: recognized in discontinued operations		**-**				
Recognized in continuing operations		**$ 2,903**				

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

The Corporation has accumulated net capital losses for income tax purposes of $21,511 (2014 - $21,277) which may be carried forward indefinitely to reduce future capital gains. The value of these losses has not been recognized in these consolidated financial statements.

The Corporation has accumulated non-capital losses for income tax purposes of $72,545 (2014 - $77,586), which expire as follows:

Expiration of accumulated non-capital losses:	
2026	$ 199
2027	426
2028	225
2029	162
2030	908
2031	14,784
2032	6,654
2033	9,783
2034	35,016
2035	4,388
	$ 72,545

14. DISCONTINUED OPERATIONS

On September 1, 2014, the Corporation completed the sale of Broda Construction Inc. (Broda) to TriWest Capital Partners and certain members of the senior management team of Broda for gross cash proceeds of $38,829. Broda operated under the Industrial Group segment. Details of the sale are as follows:

Gross proceeds on disposal	$	38,829
Carrying value of Broda		(58,086)
Transaction costs		(922)
Loss on disposal before tax		(20,179)
Income tax recovery		3,337
Net loss on disposal of discontinued operations	$	(16,842)

There were no transactions in discontinued operations during the year ended December 31, 2015. Net loss from discontinued operations for the year ended December 31, 2014, reported in the consolidated statements of earnings (loss), is as follows:

		December 31, 2014
Contract revenue	$	30,094
Contract costs		28,832
Contract income		1,262
Other expense		(1,883)
Finance income		16
Administrative costs		(3,466)
Finance costs		(185)
Loss from discontinued operations		(4,256)
Income tax recovery		874
Net loss on disposal of discontinued operations		(16,842)
Net loss from discontinued operations	$	(20,224)

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

		December 31, 2014
Operating cash flows	$	(3,521)
Investing cash flows	$	(1,442)
Financing cash flows	$	4,811

15. EMPLOYEE BENEFITS

(a) Short-term employee benefits

Contributions made by the Corporation during the year ended December 31, 2015 to the company sponsored Employee Share Purchase Plan (ESPP) were $3,088 (2014 - $3,167) (Note 12).

(b) Post-employment benefits

Registered Retirement Savings Plan (RRSP)

Contributions made by the Corporation during the year ended December 31, 2015 to the company sponsored RRSP were $3,248 (2014 - $3,433) (Note 12).

Defined Contribution Pension Plans (DC)

The total expense recognized in the consolidated statements of earnings (loss) and comprehensive earnings (loss) during the year ended December 31, 2015 of $484 (2014 – $447) represents contributions paid to these plans by the Corporation at rates specified in the rules of the plans.

Defined Benefit Pension Plans (DB)

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

Future benefits:

	December 31, 2015	December 31, 2014
Wholly or partially funded defined benefit obligation	**$ 35,885**	$ 35,417
Fair value of plan assets	**31,205**	29,076
Recognized liability for defined benefit obligations	**$ 4,680**	$ 6,341

Fair market value of plan assets:

	December 31, 2015	December 31, 2014 (1)
Equity securities	**$ 23,564**	$ 22,805
Debt securities	**7,498**	6,271
Short-term	**143**	-
	$ 31,205	$ 29,076

(1) Certain comparative amounts have been reclassified to conform with current year presentation.

Reconciliation of amounts in the financial statements:

	December 31, 2015	December 31, 2014
Accrued benefit obligation		
Balance, beginning of year	**$ 35,417**	$ 29,618
Employer current service cost	**784**	595
Employee contributions	**98**	107
Interest cost on the defined benefit obligation	**1,390**	1,388
Benefit payments	**(1,347)**	(1,815)
Actuarial loss due to experience adjustments	**5**	657
Actuarial loss due to changes in demographic assumptions	**-**	1,135
Actuarial (gain) loss due to changes in financial assumptions	**(462)**	3,732
Balance, end of year	**$ 35,885**	$ 35,417

	December 31, 2015	December 31, 2014
Fair value of plan assets		
Balance, beginning of year	**$ 29,076**	$ 25,979
Employer contributions	**2,743**	2,609
Employee contributions	**98**	107
Interest income on plan assets	**1,161**	1,242
Actuarial (loss) gain on plan assets, excluding interest income	**(94)**	1,231
Benefit payments	**(1,347)**	(1,815)
Administration costs	**(432)**	(277)
Balance, end of year	**$ 31,205**	$ 29,076

	December 31, 2015	December 31, 2014
Net pension liability	**$ 4,680**	$ 6,341
Funded status - deficit	**$ 4,680**	$ 6,341

For the year ended December 31, 2015, an amount of $1,445 (2014 - $1,019) was recorded in administrative costs in net earnings (loss), and a gain of $363 (2014 – loss of $4,293), before tax, was recorded in other comprehensive earnings (loss) in relation to the DB plans. This gain relates to an increase in the discount rates and a change in the market value of the assets, which are both as at December 31, 2015.

Actuarial assumptions:

	December 31, 2015	December 31, 2014
Discount rate on net benefit obligations	**4.0%**	3.9%
Rate of compensation increase	**3.5%**	3.5%
Inflation rate	**2.3%**	2.3%

The discount rate used to establish the pension obligation is based on AA-rated Canadian corporate bond yields at the measurement date. A change of 100 basis points in the discount rate at the reporting date would have increased or decreased the accrued benefit obligation by $5,106 (2014 - $5,261).

16. EARNINGS PER SHARE

(a) Basic earnings (loss) per share

	December 31, 2015	December 31, 2014
Net earnings from continuing operations	$ 11,195	$ 7,145
Net loss from discontinued operations	-	(20,224)
Net earnings (loss) - basic	$ 11,195	$ (13,079)
Issued common shares, beginning of the year	25,054,310	24,797,163
Effect of shares issued related to DRIP	222,231	92,425
Effect of shares issued on exercise of stock options	-	58,229
Effect of shares issued related to acquisition	1,087,970	-
Weighted average number of common shares for the year - basic	26,364,511	24,947,817
Basic earnings per share, continuing operations	$ 0.42	$ 0.29
Basic loss per share, discontinued operations	-	(0.81)
Basic earnings (loss) per share	$ 0.42	$ (0.52)

(b) Diluted earnings per share

	December 31, 2015	December 31, 2014
Net earnings from continuing operations - basic	$ 11,195	$ 7,145
Interest, accretion and amortization of deferred financing fees, net of tax	4,755	-
Net earnings from continuing operations - diluted	$ 15,950	$ 7,145
Weighted average number of common shares - basic	26,364,511	24,947,817
Incremental shares - stock options	4,591	140,966
Incremental shares - convertible debentures	14,892,239	-
Weighted average number of common shares for the year - diluted, continuing operations	41,261,341	25,088,783
Diluted earnings per share, continuing operations	$ 0.39	$ 0.28

As there were no transactions in discontinued operations for the year ended December 31, 2015, and the Corporation incurred a net loss from discontinued operations for the year ended December 31, 2014, the diluted weighted average number of common shares and the resulting diluted loss per share from discontinued operations is the same as basic in each respective year.

For the year ended December 31, 2015, the number of options excluded from the diluted weighted average number of common shares calculation was 1,361,363 (2014 − 908,167), as their effect would have been anti-dilutive.

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

17. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance is comprised entirely of cash. Included in the cash and cash equivalents balance is $2,933 (2014 - $2,574) held in the bank accounts of joint operations.

Restricted cash of $4,172 at December 31, 2015 (2014 - $nil) relates to cash held in trust.

18. TRADE AND OTHER RECEIVABLES

		December 31, 2015		December 31, 2014
Trade receivables	**$**	**148,129**	$	219,388
Construction holdbacks, due within one business cycle		**66,472**		115,313
Allowance for doubtful accounts (Note 31)		**(2,558)**		(2,140)
Other receivables		**3,894**		4,435
	$	**215,937**	$	336,996

The average credit period is 39 days for maintenance contracts and 65 days for significant construction contracts.

At December 31, 2015, holdbacks of $66,472 (2014 - $115,313) are recoverable within the normal operating cycle of the Corporation ranging from 30 days to three years, depending on the nature of services being provided. The range is dependent on the type and size of the project and duration of the work.

19. CONSTRUCTION AND NON-CONSTRUCTION CONTRACTS

Contracts in progress:

		December 31, 2015		December 31, 2014
Construction costs incurred plus recognized profits less recognized losses to date	**$**	**4,277,440**	$	4,617,699
Less: progress billings		**(4,285,360)**		(4,658,402)
Net over billings on construction contracts		**(7,920)**		(40,703)
Non-construction costs incurred plus recognized profits less recognized losses to date	**$**	**276,184**	$	159,114
Less: progress billings		**(268,974)**		(153,098)
Net under billings on non-construction contracts		**7,210**		6,016
Total net contract position	**$**	**(710)**	$	(34,687)

Recognized and included in the consolidated statements of financial position:

	December 31, 2015	December 31, 2014
Costs in excess of billings - Construction contracts	$ 51,049	$ 48,667
Costs in excess of billings - Non-construction contracts	7,939	6,152
Total costs in excess of billings	58,988	54,819
Contract advances and unearned income - Construction contracts	$ (58,969)	$ (89,370)
Contract advances and unearned income - Non-construction contracts	(729)	(136)
Total contract advances and unearned income	(59,698)	(89,506)
Total net contract position	$ (710)	$ (34,687)

At December 31, 2015, holdbacks for contract work amounted to $66,472 (2014 - $115,313).

20. SERVICE PROVIDER DEPOSIT

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

Included in trade and other receivables in the consolidated statements of financial position is the current portion of the service provider deposit of $nil (2014 - $1,206), to be received in the next 12 months. The remaining portion of $6,799 (2014 - $5,549) is classified as non-current in the consolidated statements of financial position at December 31, 2015. The total funds held by Zurich as at December 31, 2015 amounted to $6,799 (2014 - $6,755).

21. PROPERTY AND EQUIPMENT

Included in construction and automotive equipment is $5,339 (2014 - $1,467) of assets relating to finance leases and $1,498 (2014 - $404) of accumulated depreciation, for a net carrying value of $3,841 (2014 - $1,063).

Assets with a carrying value of $3,841 (2014 - $1,063) are pledged as security for the finance lease obligations disclosed in Note 26 (b).

During the year ended December 31, 2015, the Corporation recorded an impairment loss of $1,170 (2014 - $2,596) related to Leasehold Improvements due to branch office subleasing in Western Canada.

During the year ended December 31, 2014, the Corporation disposed of assets related to Buildings and Improvements, Construction and Automotive Equipment, Computer Hardware and Office Furniture and Equipment with carrying values of $290, $41,292, $470, $2 and $278, respectively, as part of the sale of Broda (Note 14).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars, except share and per share amounts)

2015	**Land and Improvements**	**Buildings and Improvements**	**Leasehold Improvements**	**Construction and Automotive Equipment**	**Computer Hardware**	**Office Furniture and Equipment**	**Assets Under Construction**	**Total**
Cost								
Balance at December 31, 2014	**$ 566**	**$ 3,041**	**$ 14,659**	**$ 31,398**	**$ 5,949**	**$ 5,696**	**$ 484**	**$ 61,793**
Additions, including finance leases	**-**	**-**	**1,030**	**3,230**	**347**	**283**	**-**	**4,890**
Disposals	**-**	**-**	**(505)**	**(5,434)**	**(817)**	**(726)**	**-**	**(7,482)**
Acquisitions (Note 5)	**-**	**-**	**635**	**3,657**	**118**	**200**	**-**	**4,610**
Reclassifications and transfers	**-**	**-**	**484**	**-**	**-**	**-**	**(484)**	**-**
Balance at December 31, 2015	**$ 566**	**$ 3,041**	**$ 16,303**	**$ 32,851**	**$ 5,597**	**$ 5,453**	**$ -**	**$ 63,811**
Accumulated depreciation and impairment losses								
Balance at December 31, 2014	**$ -**	**$ 1,487**	**$ 5,742**	**$ 21,342**	**$ 5,270**	**$ 3,722**	**$ -**	**$ 37,563**
Depreciation expense	**-**	**4**	**2,228**	**5,198**	**418**	**898**	**-**	**8,746**
Disposals	**-**	**-**	**(504)**	**(3,914)**	**(817)**	**(714)**	**-**	**(5,949)**
Impairment losses recognized in the year	**-**	**-**	**1,170**	**-**	**-**	**-**	**-**	**1,170**
Balance at December 31, 2015	**$ -**	**$ 1,491**	**$ 8,636**	**$ 22,626**	**$ 4,871**	**$ 3,906**	**$ -**	**$ 41,530**
Carrying amounts at December 31, 2015	**$ 566**	**$ 1,550**	**$ 7,667**	**$ 10,225**	**$ 726**	**$ 1,547**	**$ -**	**$ 22,281**

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

22. GOODWILL

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

		December 31, 2015		December 31, 2014
Industrial Group	**$**	**42,323**	$	7,315
Buildings Group		**114,078**		114,078
Commercial Systems Group		**57,623**		57,623
	$	**214,024**	$	179,016

Goodwill arose as a result of multiple past acquisitions. The Industrial Group's goodwill stems from the Laird Electric Inc. acquisition of 2003 and the Studon acquisition on January 6, 2015 (Note 5). Goodwill associated with the Buildings Group and the Commercial Systems Group arose from the Seacliff Construction Corp. acquisition in 2010. Additional goodwill was attributed to the Commercial Systems Group through the McCaine Electric Ltd. acquisition in 2011. Goodwill recognized on all of these acquisitions was attributable mainly to revenue growth, future market development, the assembled workforce and the synergies achieved from the integration of acquired companies into existing construction, commercial and industrial services.

During the fourth quarter of 2015, the Corporation performed its annual goodwill impairment test. The calculated Business Enterprise Value for each of the CGUs incorporated the financial projections set out in the respective CGU's strategic plans. The annual impairment review resulted in no impairment charge in the current year.

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

Key Assumptions

The key assumptions in the value in use calculations to determine the recoverable amounts by CGU have been prepared using a four year discounted cash flow analysis with a terminal value. The financial projections used for the discounted cash flow analysis were derived from the Corporation's 2016 - 2018 Strategic Plan.

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

The terminal value was calculated using a discount rate of 11% (2014 – 12%) and a steady annual growth of 2% (2014 – 2%) in the terminal year. The same discount rate was used in each of the Corporation's CGUs given that each entity has access to the same source of debt and each CGU is ultimately governed by management at the parent Company. In addition, entity specific risks were separately factored into each CGU forecast. They take into consideration market rates of return, capital structure, company size, industry risk and after-tax cost of debt and equity.

Sensitivity of Assumptions

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

23. INTANGIBLE ASSETS

2015	ERP Assets	Backlog and Agency Contracts	Customer Relationships and Tradename	Computer Software	Assets under Construction	Total
Cost						
Balance at December 31, 2014	$ 25,242	$ 20,600	$ 54,423	$ 5,098	$ 17	$ 105,380
Additions - externally acquired	818	-	-	102	-	920
Disposals	-	-	-	(127)	-	(127)
Acquisitions (Note 5)	80	5,800	16,670	3	-	22,553
Reclassifications and transfers	17	-	-	-	(17)	-
Impairment loss (Note 5)	-	(1,000)	(3,000)	-	-	(4,000)
Balance at December 31, 2015	$ 26,157	$ 25,400	$ 68,093	$ 5,076	$ -	$ 124,726
Accumulated amortization						
Balance at December 31, 2014	$ 7,222	$ 20,600	$ 27,730	$ 4,133	$ -	$ 59,685
Amortization expense	2,467	2,320	6,356	317	-	11,460
Disposals	-	-	-	(127)	-	(127)
Balance at December 31, 2015	$ 9,689	$ 22,920	$ 34,086	$ 4,323	$ -	$ 71,018
Carrying amounts at December 31, 2015	**$ 16,468**	**$ 2,480**	**$ 34,007**	**$ 753**	**$ -**	**$ 53,708**

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

24. TRADE AND OTHER PAYABLES

	December 31, 2015	December 31, 2014
Trade payables	**$ 88,517**	$ 159,873
Holdbacks and accrued liabilities	**68,220**	80,165
Short-term employee benefits	**15,220**	17,777
Dividend payable	**3,184**	3,006
Other	**3,232**	3,375
	$ 178,373	$ 264,196

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

25. PROVISIONS

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

	Warranties	Restructuring Costs	Claims and Disputes	Subcontractor Default	Onerous Contract	Deferred Contingent Consideration (Note 5)	Total
Balance at December 31, 2013	$ 3,067	$ 371	$ 1,901	$ 3,540	$ -	$ -	$ 8,879
Provisions made during the year	760	-	714	3,043	739	-	5,256
Provisions used during the year	(817)	(178)	(400)	(2,911)	-	-	(4,306)
Provisions reversed in the year	(1,930)	-	(200)	-	-	-	(2,130)
Unwinding of discount	-	-	-	-	(170)	-	(170)
Balance at December 31, 2014	$ 1,080	$ 193	$ 2,015	$ 3,672	$ 569	$ -	$ 7,529
Balance at December 31, 2014	$ 1,080	$ 193	$ 2,015	$ 3,672	$ 569	$ -	**$ 7,529**
Provisions made during the year	6,048	-	621	1,710	506	2,935	**11,820**
Provisions used during the year	(257)	(167)	(503)	(801)	(113)	-	**(1,841)**
Provisions reversed in the year	(724)	-	(526)	-	-	(2,935)	**(4,185)**
Unwinding of discount	-	-	-	-	52	-	**52**
Balance at December 31, 2015	**$ 6,147**	**$ 26**	**$ 1,607**	**$ 4,581**	**$ 1,014**	**$ -**	**$ 13,375**

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

	December 31, 2015	December 31, 2014
Current portion of provisions	**$ 7,705**	$ 2,616
Long-term provisions	**5,670**	4,913
Total provisions	**$ 13,375**	$ 7,529

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

	Warranties	Restructuring Costs	Claims and Disputes	Subcontractor Default	Onerous Contract	Total
2016	$ 6,147	$ 26	$ 1,045	$ 409	$ 166	$ 7,793
2017	-	-	281	4,172	152	4,605
2018	-	-	281	-	182	463
2019	-	-	-	-	205	205
2020	-	-	-	-	162	162
Thereafter	-	-	-	-	1,035	1,035
	$ 6,147	**$ 26**	**$ 1,607**	**$ 4,581**	**$ 1,902**	**$ 14,263**

26. LONG-TERM DEBT

	December 31, 2015	December 31, 2014
Current portion of long-term debt		
Finance lease obligations	**$ 2,369**	$ 391
	$ 2,369	$ 391
Non-current		
Revolving credit facility	**$ 45,197**	$ 115
Finance lease obligations	**1,368**	702
	$ 46,565	$ 817

The increase in finance lease obligations and related interest rates (Note 26 (b)) was a result of the acquisition of Studon on January 6, 2015 (Note 5). The increase in the revolving credit facility was a result of the Studon acquisition and the settlement of the 2010 convertible debentures on June 30, 2015 (Note 27).

(a) Revolving credit facility

On July 16, 2015, the Corporation negotiated improved terms and conditions and a three year extension to its senior secured revolving credit facility (Revolver). The Revolver now consists of a $155,000 credit facility syndicated by seven lenders from the existing facility and a $20,000 operating facility provided by one of the co-lead lenders. The combined Revolver provides the Corporation with a maximum available borrowing capacity of $175,000 (previously $167,375). The maturity date of the Revolver has been extended to July 16, 2020 (previously July 12, 2017).

Material changes to the Revolver include the elimination of the former working capital ratio and the senior debt to EBITDA ratio financial covenants. The Revolver continues to include existing financial covenants related to interest coverage and total debt to EBITDA. The interest coverage ratio remains the same at not less than 3:1, and the total debt to EBITDA ratio was reduced by 0.25 such that it shall not exceed 3:1, with a temporary increase to 3.25:1 for a period of two quarters following the completion of a material acquisition.

The operating facility of $20,000 allows the Corporation to enter into an overdraft position. At December 31, 2015, there was no drawdown on the operating facility.

During the 90 day period before each anniversary date, the Corporation may extend the credit facility for an additional year. As such, there is no current portion of long-term debt related to the credit facility. The credit facility is supported by a comprehensive security package that includes all present and after acquired assets of the Corporation. Interest is charged at a rate per annum equal to the Canadian prime rate, LIBOR rate or Bankers' Acceptance rate as applicable and in effect during the interest period, plus additional interest based on a pricing rate schedule. The additional interest per the pricing rate schedule depends upon the Debt to EBITDA ratio and ranges from a low of 75 basis points for Canadian prime rate loans to a high of 275 basis points for LIBOR and Bankers' Acceptances. The credit facility contains provisions for stamping fees on Bankers' Acceptances and LIBOR loans, and standby fees on unutilized credit lines that vary depending on certain consolidated financial ratios. Total finance costs on the credit facility for the year ended December 31, 2015 were $1,926 (2014 − $2,720). These finance costs represent the interest paid on the debt and amortization of the deferred financing charges of $625 for the year ended December 31, 2015 (2014 − $689) (Note 10).

(b) Finance lease obligations

For the year ended December 31, 2015, the Corporation held finance leases relating to automotive equipment that mature between January 2016 and July 2020, and bear interest at rates between 2.0% and 15.0%, with a weighted average effective interest rate on the contracts of 6.2% per annum (2014 – 5.2%). Finance lease obligations are secured by automotive equipment with a net book value of $3,841 (2014 - $1,063) and the lessors' title to the lease assets (Note 21). The Corporation has the option to purchase the equipment under lease at the conclusion of the lease agreements.

	Future Minimum Lease Payments		Present Value of Minimum Lease Payments	
	December 31, 2015	December 31, 2014	**December 31, 2015**	December 31, 2014
Not later than 1 year	**$ 2,517**	$ 412	**$ 2,369**	$ 391
More than 1 year but not later than 5 years	**1,415**	731	**1,368**	702
	$ 3,932	$ 1,143	**$ 3,737**	$ 1,093

	Interest	
	December 31, 2015	December 31, 2014
Not later than 1 year	**$ 148**	$ 21
More than 1 year but not later than 5 years	**47**	29
	$ 195	$ 50

27. CONVERTIBLE DEBENTURES

	2010 Convertible Debentures		2014 Convertible Debentures	
	December 31, 2015	December 31, 2014	**December 31, 2015**	December 31, 2014
Debt component, beginning of the year	**$ 84,828**	$ 81,855	**$ 70,932**	$ -
Issuance	**-**	-	**-**	74,076
Repayment	**(86,250)**	-	**-**	-
Financing fees	**-**	-	**-**	(3,571)
Accretion on convertible debentures	**1,096**	2,289	**1,026**	275
Amortization of deferred financing fees	**326**	684	**571**	152
Debt component, end of the year	**$ -**	$ 84,828	**$ 72,529**	$ 70,932
Equity component, beginning of the year	**$ 7,100**	$ 7,100	**$ 4,589**	$ -
Issuance	**-**	**-**	**-**	6,424
Financing fees	**-**	**-**	**-**	(230)
Transferred to contributed surplus	**(7,100)**	-	**-**	-
Deferred income tax	**-**	-	**-**	(1,605)
Equity component, end of the year	**$ -**	$ 7,100	**$ 4,589**	$ 4,589

At December 31, 2015, the principal amount of the debt component of all convertible debentures outstanding is $72,529 (2014 - $155,760), of which $nil (2014 - $84,828) is classified as a current liability.

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

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

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

The Corporation can redeem the 2014 convertible debentures at a price of one thousand dollars per debenture, on or after December 31, 2017, and at any time prior to December 31, 2018, provided that the current market price of the common shares is not less than 125% of the conversion price of $14.15 per common share.

On and after December 31, 2018, and at any time prior to the final maturity date, the 2014 convertible debentures may be redeemed at the option of the Corporation, in whole or in part from time to time, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest thereon up to the date set for redemption.

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

In the event of a change of control of the Corporation (as defined in the applicable trust indenture), the Corporation shall be required to offer to purchase all of the outstanding debentures on the date that is 30 business days after the date that such offer is delivered, at a purchase price equal to 100% of the principal amount of the debentures plus accrued and unpaid interest to the purchase date. Under certain circumstances where the convertible debentures are to be repurchased by the Corporation or converted into common shares upon a change of control, a make whole premium will apply. The amount of the make whole premium, if any, will be based on the price of the common shares on the effective date of the change of control. No make whole premium will be paid if the price of the common shares at such time is less than $10.46 per share or exceeds $50.00 per share.

28. SHARE-BASED PAYMENTS

(a) Stock options

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

Movement during the years:

	December 31, 2015		December 31, 2014	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of the year	**1,682,042**	**$ 11.95**	1,838,117	$ 12.29
Granted	**430,085**	**5.82**	203,557	9.94
Forfeited	**(244,401)**	**8.10**	(151,629)	16.02
Exercised	**-**	**-**	(110,919)	7.83
Expired	**(152,608)**	**19.09**	(97,084)	12.44
Outstanding, end of the year	**1,715,118**	**$ 10.33**	1,682,042	$ 11.95

The options outstanding for the year ended December 31, 2015 have an exercise price in the range of $5.77 to $19.32 (2014 - $7.50 to $19.63) and lives of between 5 and 10 years (2014 – 5 and 10 years).

There were no options exercised during the year ended December 31, 2015. The options exercised during the year ended December 31, 2014 were done so at a weighted average share price of $9.65.

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

Option Series	Options Outstanding	Expiry Date	Exercise Price	Fair Value At Grant Date	Options Exercisable
Issued on March 22, 2011	192,423	21-Mar-16	19.32	7.59	192,423
Issued on September 12, 2011	9,000	11-Sep-16	14.32	5.47	9,000
Issued on December 13, 2011	30,000	12-Dec-16	10.46	3.63	30,000
Issued on March 15, 2012	311,294	15-Mar-17	15.48	5.03	311,294
Issued on August 17, 2012	115,740	17-Aug-17	8.19	2.16	115,740
Issued on January 2, 2013	33,524	2-Jan-18	8.64	2.30	22,349
Issued on April 1, 2013	117,108	1-Apr-18	7.50	2.52	78,072
Issued on April 1, 2013	382,350	1-Apr-23	7.50	2.52	254,900
Issued on September 13, 2014	119,924	1-Apr-24	9.94	3.08	39,975
Issued on September 13, 2014	50,000	13-Sep-24	9.94	3.08	16,667
Issued on April 1, 2015	282,326	1-Apr-25	5.77	1.41	-
Issued on May 19, 2015	71,429	19-May-25	6.07	1.40	-
As at December 31, 2015	1,715,118				1,070,420

Inputs for measurement of grant date fair value:

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

Option Series	Weighted Average Share Price	Exercise Price	Expected Volatility	Option Life	Dividend Yield	Risk-Free Interest Rate	Forfeiture Rate
Issued in 2014							
September 13, 2014	9.94	9.94	49.74%	10	4.83%	1.81%	10.00%
Issued in 2015							
April 1, 2015	5.77	5.77	45.22%	10	5.57%	0.97%	10.00%
May 19, 2015	6.07	6.07	47.19%	10	6.70%	1.45%	10.00%

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

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

	December 31, 2015	December 31, 2014
Balance, beginning of the year	**$ 9,341**	$ 8,594
Stock compensation expense from continuing operations	**835**	1,057
Stock compensation expense from discontinued operations	**-**	55
Stock options exercised	**-**	(365)
Balance, end of the year	**$ 10,176**	$ 9,341

(b) MTIPs

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

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

Performance Share Units (PSUs) track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years and the payout can be 0% to 200% of the vested units, subject to the achievement of certain corporate objectives as approved by the Board of Directors. Each grant of PSUs is individually evaluated regularly with regard to vesting and payout assumptions. The Corporation will settle the PSUs in cash within 20 business days after vesting.

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

Movement of units during the years:

	BRSUs	RSUs	PSUs
Units outstanding at December 31, 2013	262,481	146,742	502,973
Granted	159,223	256,346	211,332
Forfeited	(39,046)	(18,146)	(9,152)
Vested	(190)	-	(1,072)
Vested and paid	(58,175)	(24,576)	(122,618)
Units outstanding at December 31, 2014	324,293	360,366	581,463
Units outstanding at December 31, 2014	324,293	360,366	581,463
Granted	-	395,803	368,000
Forfeited	(20,217)	(19,149)	(5,335)
Vested	(2,158)	(20,334)	(20,268)
Vested and paid	(103,008)	(44,467)	(203,038)
Units outstanding at December 31, 2015	**198,910**	**672,219**	**720,822**

The BRSUs issued on April 1, 2013 and 2014 at a fair value at grant date of $7.50 and $10.79 have a vesting date of April 1, 2016 and 2017, respectively. The RSUs and PSUs issued on April 1, 2013, 2014 and 2015 at a fair value at grant date of $7.50, $10.79 and $5.73, have a vesting date of April 1, 2016, 2017 and 2018, respectively.

In April 2015, 30% of the BRSUs issued on April 1, 2013 vested at a weighted average price of $6.01. The PSUs issued in 2012 vested on March 15, 2015 at a payout ratio of 30%.

(c) DSUs

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

Movement of units during the years:

Number of DSUs	**December 31, 2015**	December 31, 2014
Outstanding, beginning of the year	**433,248**	363,550
Granted	**163,251**	107,919
Settled	**(123,926)**	(38,221)
Outstanding, end of the year	**472,573**	433,248

(d) Share-based payment liability

	December 31, 2015	December 31, 2014
Carrying amount of liabilities for cash-settled arrangements		
Current portion	**$ 2,070**	$ 889
Long-term portion	**4,652**	6,382
Total carrying amount	**$ 6,722**	$ 7,271
Total intrinsic value of liability for vested benefits	**$ 2,812**	$ 3,315

Included in trade and other payables is the current portion of the MTIPs to be paid out within the next 12 months. The long-term portion of MTIPs and DSUs of $5,168 at December 31, 2015 (2014 − $6,382) is classified as share-based payments in the consolidated statements of financial position. The total intrinsic value reflects all of the outstanding DSUs and vested MTIPs as at December 31, 2015.

(e) Share-based compensation expense

	December 31, 2015	December 31, 2014
Share compensation expense on stock options	**$ 835**	$ 1,057
Effects of changes in fair value and accretion of MTIP grants	**1,173**	2,140
Effects of changes in fair value and grants for DSUs	**58**	153
	$ 2,066	$ 3,350

29. SHARE CAPITAL

(a) Common shares and preferred shares

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

	December 31, 2015		December 31, 2014	
	Shares	**Share Capital**	Shares	Share Capital
Common Shares				
Issued, beginning of the year	**25,054,310**	**$ 131,724**	24,797,163	$ 129,134
DRIP	**375,091**	**2,102**	146,228	1,356
Issued during the year	**1,103,081**	**6,631**	110,919	1,234
Issued, end of the year	**26,532,482**	**$ 140,457**	25,054,310	$ 131,724

On January 6, 2015, the Corporation issued 1,103,081 common shares at a share price of $6.01 as part of the Studon acquisition (Note 5).

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

(b) Common shares and dividends

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

The Corporation declared its nineteenth quarterly dividend of $0.12 per share, which was paid on January 14, 2016 to shareholders of record on December 31, 2015.

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

As at December 31, 2015, trade and other payables included $3,184 (2014 - $3,007) related to the dividend payable on January 14, 2016, of which $537 (2014 - $575) is to be reinvested in common shares under the DRIP and the remainder paid in cash.

	December 31, 2015		December 31, 2014	
	Per Share	**Total**	Per Share	Total
Dividend payable, beginning of the year	**$ 0.12**	**$ 3,007**	$ 0.12	$ 2,976
Total dividends declared during the year	**0.48**	**12,668**	0.48	11,986
Total dividends paid during the year [1]	**(0.48)**	**(12,491)**	(0.48)	(11,955)
Dividend payable, end of the year	**$ 0.12**	**$ 3,184**	$ 0.12	$ 3,007

[1] Includes DRIP non-cash payments totaling $2,102 (2014 - $1,356) which are recorded through share capital.

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

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

	December 31, 2015	December 31, 2014
Trade and other receivables	**$ 141,266**	$ (84,648)
Inventory	**(2)**	139
Prepaid expenses	**(235)**	(714)
Costs in excess of billings	**5,582**	(7,747)
Trade and other payables	**(90,246)**	79,301
Contract advances and unearned income	**(32,370)**	8,798
	$ 23,995	$ (4,871)

31. FINANCIAL INSTRUMENTS

(a) Carrying values

	December 31, 2015	December 31, 2014
Financial assets:		
Cash and cash equivalents, including restricted cash	**$ 37,839**	$ 104,113
Trade and other receivables	**215,937**	336,996
Service provider deposit	**6,799**	5,549
Long-term receivable, including current portion	**355**	395
Financial liabilities:		
Trade and other payables	**$ 178,373**	$ 264,196
Long-term debt, including current portion	**48,934**	1,208
Convertible debentures - debt component, including current portion	**72,529**	155,760

(b) Fair values

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

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

Fair value hierarchy

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

(c) Financial risk management

(i) Credit risk

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

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

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

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

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

	December 31, 2015	December 31, 2014
Balance at the beginning of the year	**$ 2,140**	$ 3,224
Impairment losses recognized on receivables	**1,005**	1,895
Amounts written off during the period as uncollectible	**(587)**	(744)
Amounts recovered during the year	**-**	(1,387)
Impairment losses reversed	**-**	(848)
Balance at the end of the year	**$ 2,558**	$ 2,140

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

	December 31, 2015	December 31, 2014
Current	**$ 67,647**	$ 116,326
1-60 days past due	**48,810**	75,911
61-90 days past due	**4,224**	5,845
More than 90 days past due	**27,448**	21,306
	$ 148,129	$ 219,388

In determining the quality of trade receivables, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Corporation had $27,448 of trade receivables (2014 – $21,306) which were greater than 90 days past due with $24,890 not provided for as at December 31, 2015 (2014 – $19,166). Management has no concerns regarding the credit quality and collectability of these accounts, as the concentration of credit risk is limited due to its large and unrelated customer base. Trade receivables are included in trade and other receivables on the consolidated statements of financial position.

(ii) Interest rate risk

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

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

	December 31, 2015	December 31, 2014
Fixed rate instruments		
Financial liabilities	**$ 72,529**	$ 155,760
Variable rate instruments		
Financial assets	**$ 37,839**	$ 104,113
Financial liabilities	**$ 48,934**	$ 1,208

Fixed rate sensitivity

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

Variable rate sensitivity

A change of 100 basis points in interest rates at the reporting date would have increased or decreased equity and profit or loss by $280 (2014 - $781) related to financial assets and by $362 (2014 - $9) related to financial liabilities.

(iii) Liquidity risk

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

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

The following are the contractual obligations, including interest payments as at December 31, 2015, in respect of the financial obligations of the Corporation. Interest payments on the revolving credit facility have not been included in the table below since they are subject to variability based upon outstanding balances at various points throughout the year.

	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	**$ 178,373**	$ 178,373	$ 178,373	$ -	$ -	$ -
Provisions, including current portion	**13,375**	14,263	7,793	5,068	367	1,035
Convertible debentures (debt portion)	**72,529**	99,820	4,830	9,660	85,330	-
Long-term debt, including current portion	**48,934**	51,433	2,517	708	48,208	-
Operating lease commitments	**-**	61,414	8,226	14,358	14,358	24,472
	$ 313,211	$ 405,303	$ 201,739	$ 29,794	$ 148,263	$ 25,507

32. CAPITAL MANAGEMENT

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

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

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars, except share and per share amounts)

The primary non-IFRS measures used by the Corporation to monitor its financial leverage are its ratios of long-term indebtedness to capitalization and net long-term indebtedness to EBITDA. During the year, the definition of EBITDA was revised to exclude the impact of costs or recoveries relating to investing activities. The changes to EBITDA are described in further detail in Note 6.

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

		December 31, 2015		December 31, 2014
Long-term indebtedness:				
Long-term debt, principal amount [1]	**$**	**51,237**	$	3,093
Convertible debentures, principal amount [2]		**80,500**		166,750
Total long-term indebtedness		**131,737**		169,843
Total equity		**224,982**		216,621
Total capitalization	**$**	**356,719**	$	386,464
Indebtedness to capitalization percentage		**37%**		44%

[1] Principal amount of current and non-current long-term debt before the deduction of deferred financing fees (Note 26).

[2] Includes the maturity value of the convertible debentures issued in 2014 of $80,500. The convertible debentures issued in 2010 with a maturity value of $86,250 matured on June 30, 2015 (Note 27).

The Corporation targets a net long-term indebtedness to EBITDA ratio of 2.0 to 3.0 over a three to five-year planning horizon. At December 31, 2015, the net long-term indebtedness to EBITDA was 1.8 (2014 – 1.5), calculated on a last 12-month basis as follows:

		December 31, 2015		December 31, 2014
Total long-term indebtedness [1]	**$**	**131,737**	$	169,843
Less: Cash on hand [2]		**(37,839)**		(104,113)
Net long-term indebtedness	**$**	**93,898**	$	65,730
Net earnings from continuing operations	**$**	**11,195**	$	7,145
Add:				
Finance costs		**12,638**		12,866
Income tax expense		**4,846**		4,070
Depreciation and amortization		**20,304**		14,883
Impairment loss on property and equipment		**1,170**		2,596
Impairment loss on intangible assets		**4,000**		-
(Recovery) cost relating to investing activities		**(2,935)**		1,680
(Gain) loss on sale of assets		**(149)**		112
EBITDA	**$**	**51,069**	$	43,352
Net long-term indebtedness to EBITDA ratio		**1.8**		1.5

[1] As per the calculation in the indebtedness to capitalization percentage.

[2] Cash on hand includes restricted cash (Note 17).

The Corporation monitors its capital through a rolling forecast of financial position and expected operating results. In addition, the Corporation establishes and reviews operating and capital budgets and cash flow forecasts in order to manage overall capital with respect to financial covenants. The Corporation's Revolver (Note 26) is subject to the amended covenants described below. The covenants are measured each quarter on March 31, June 30, September 30 and December 31. The Corporation was in full compliance with its covenants at December 31, 2015 and December 31, 2014.

- Interest coverage – Interest coverage represents the ratio of EBITDA to interest expense for the 12 months ending as at the end of the fiscal quarter. For the purposes of the Revolver, EBITDA is defined as earnings or loss before interest, income taxes, depreciation and amortization, non-cash gains and losses from financial instruments, share-based compensation and any other non-cash items deducted in the calculation of net earnings. The Corporation's interest coverage ratio must exceed 3:1.
- Debt to EBITDA – Debt represents total indebtedness and total obligations of the Corporation and its subsidiaries, excluding convertible debentures. The Corporation's debt to EBITDA ratio cannot exceed 3:1.

33. PRINCIPAL SUBSIDIARIES

Details of the Corporation's principal operating subsidiaries at December 31, 2015 are as follows:

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

34. RELATED PARTY TRANSACTIONS

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

The Corporation incurred facility costs during the year ended December 31, 2015 of $459 (2014 - $nil) for the rental of buildings that are partially owned indirectly by Don Sutherland, the president of Studon. No amounts are included in trade payables as at December 31, 2015 and 2014.

The Corporation incurred facility costs during the year ended December 31, 2015 of $324 (2014 – $309) for the rental of a building that is 50% owned by Schneider Investments Inc., a company owned by George Schneider, a former Director of the Corporation. No amounts are included in trade payables as at December 31, 2015 and 2014.

The Corporation incurred facility costs during the year ended December 31, 2015 of $nil (2014 – $269) for the rental of a building owned by Broda Holdings (2009) Inc., a company owned by Gord Broda, the president of a former subsidiary of the Corporation. No amounts are included in trade payables as at December 31, 2015 and 2014. The Corporation reclassified these facility costs as discontinued operations in the consolidated statements of earnings (loss).

On September 1, 2014, the Corporation completed the sale of Broda to TriWest Capital Partners and certain members of the senior management team of Broda, including the president, for gross cash proceeds of $38,829 (Note 14). Gord Broda had an indirect interest in the entity that acquired Broda. Chad Danard, a Director of the Corporation and a Managing Director of TriWest, did not participate in any discussions related to the Broda disposition. TriWest recognized the potential conflict and took steps to ensure that Mr. Danard was not involved at any time in discussions at TriWest pertaining to the Broda disposition.

35. OPERATING LEASE AGREEMENTS

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

	December 31, 2015	December 31, 2014
Not later than 1 year	**$ 8,226**	$ 7,241
Later than 1 year and not later than 5 years	**28,716**	28,179
Later than 5 years	**24,472**	33,362
	$ 61,414	$ 68,782

Payments recognized as expense:

	December 31, 2015	December 31, 2014
Minimum lease payments	**$ 10,707**	$ 9,336
Sub-lease payments received	**(1,239)**	(1,208)
	$ 9,468	$ 8,128

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

36. CONTINGENCIES, COMMITMENTS AND GUARANTEES

(a) Contingencies

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

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

(b) Commitments and guarantees

The Corporation has made various donations in support of local communities. Over the next three years the Corporation has committed to pay $168 (2014 - $1,389), of which $56 (2014 - $834) is to be paid in the upcoming 12 month period.

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

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

(c) Letters of credit

The Corporation has provided several letters of credit in the amount of $3,690 in connection with various projects and joint arrangements (2014 - $4,357), of which $nil are financial letters of credit (2014 - $nil).

37. EVENTS AFTER THE REPORTING PERIOD

On March 1, 2016, the Corporation's Board of Directors declared a common share dividend of $0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable April 14, 2016 to shareholders of record on March 31, 2016.

Corporate & Shareholder Information

Officers

David LeMay, MBA
President and Chief Executive Officer

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

Bob Myles, P.Eng.
Chief Operating Officer
Industrial Group

Arthur Atkinson, PQS
Chief Operating Officer
Buildings Group

Al Miller
President
Canem Systems Ltd.

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

Bill Pohl, B Mgmt., CA
Vice President, Finance

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

Directors

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

Richard T. Ballantyne, P. Eng. (1) (4)

Rod Graham, CFA, MBA (1) (4)

Wendy L. Hanrahan, CA (2) (3)

Carmen R. Loberg (1) (3)

Ian M. Reid, B.Comm. (2) (3) (4)

Chad Danard (1) (2)

David LeMay, MBA

(1) Member of the Audit Committee
(2) Member of the Human Resources & Compensation Committee
(3) Member of the Corporate Governance & Nominating Committee
(4) Member of the Health, Safety & Environment Committee

Executive Offices

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Deloitte LLP
Edmonton, Alberta

Principal Bank

The Toronto-Dominion Bank

Bonding and Insurance

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

Registrars and Transfer Agents

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

Common Shares:

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

Convertible Debentures:

Valiant Trust Company
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