

2016 Annual Report - Management's Discussion and Analysis

March 7, 2017

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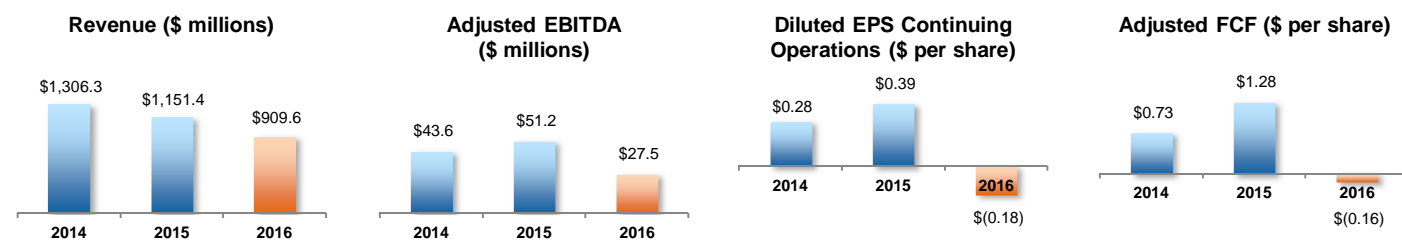
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The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Stuart Olson Inc. ("Stuart Olson", the "Company", "we", "us", or "our") for the three and twelve months ended December 31, 2016, dated March 7, 2017, should be read in conjunction with the December 31, 2016 Audited Consolidated Annual Financial Statements and related notes thereto, the December 31, 2015 Audited Consolidated Annual Financial Statements and related notes thereto, and the December 31, 2015 MD&A. 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 2015 and 2014, 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 management of Stuart Olson Inc., 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 (FCF); adjusted free cash flow per share; adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA); adjusted EBITDA margin; earnings before tax (EBT); long-term indebtedness; indebtedness to capitalization; and net long term indebtedness to adjusted 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.

2016 OVERVIEW



Operational Highlights

- We ended the year with a backlog of \$2.0 billion. This was the result of securing \$943.9 million of net new project awards and scope increases in 2016, reflecting a book-to-bill ratio of 1.04 to 1.0. Our backlog includes a diverse mix of public, private and industrial projects from Ontario to British Columbia, and is predominantly made up of low-risk contract arrangements.
- In early 2016 we announced that Bob Myles had joined Stuart Olson as the Chief Operating Officer of the Industrial Group.
- We successfully pursued our Industrial Group strategy of expanding our recurring maintenance, repair and operations (“MRO”) business, and diversifying across geographies and sectors. The successful implementation of this strategy resulted in a record group backlog of \$822.9 million and the announcement of over \$700.0 million of awards in 2016, including:
 - A five-year master services agreement (“MSA”) valued at approximately \$500.0 million, of which an estimated \$400.0 million was added to backlog in 2016. The agreement relates to the provision of MRO services to a longstanding oil sands customer in Alberta.
 - Approximately \$80.0 million of awards for the provision of mechanical, electrical and instrumentation services to a major mining company in Ontario, and a number of insulation contracts with traditional customers in Western Canada.
 - An estimated \$100.0 million contract to provide MRO services to a longstanding oil sands customer’s newly constructed facility in Northern Alberta.
 - A \$30.0 million award to provide electrical and instrumentation maintenance services to a new client at a newly constructed processing facility in Northern Alberta.
 - Subsequent to year-end, our Industrial Group announced a five-year MRO contract valued at an estimated \$30.0 million. The contract is with a longstanding mining customer on a new project site in Saskatchewan.
- Our Buildings Group continued to successfully bid on new contracts notwithstanding the slow roll-out of federal and provincial infrastructure projects. New project announcements included:
 - Awards totaling approximately \$105.0 million for both public infrastructure and private commercial projects in Western Canada, including several projects funded by the most recent Federal and Alberta capital budgets.
 - During Q4 2016, the group removed a \$200.0 million private commercial project from backlog as a result of changes in expectations around start-up timing, construction schedule and project fees.
 - Subsequent to year-end, the Buildings Group announced \$220.0 million in construction management (“CM”) contracts to retrofit existing facilities at two large post-secondary institutions in Western Canada. Of the total, \$180.0 million was included in December 31, 2016 backlog, with the balance to be added in Q1 2017.

Financial Overview

- We generated revenue of \$909.6 million in 2016, compared to \$1,151.4 million in 2015. The year-over-year change reflects challenging market conditions for our Industrial Group in Alberta, including the dual impacts of low and unstable oil prices and disruptions caused by the Northern Alberta wildfires. Revenue results for the Buildings and Commercial Systems Groups reflect delays in the rollout of new infrastructure opportunities, as well as changes in project stage of completion, with a greater proportion of new projects currently in pre-construction.
- Contract income margin of 9.7% compares to 10.6% in 2015. Contract income was \$88.4 million compared to \$121.7 million last year. Intersegment eliminations were a significant factor in contract income results, with prior-year contract income including the benefit of \$3.6 million in positive intersegment eliminations, while 2016 included a reversal of intersegment profit of \$3.9 million.
- In response to challenging market conditions, we strategically realigned our cost structure to match the level of activity throughout 2016. Our initiatives contributed to a \$7.9 million year-over-year reduction in administrative costs, which will deliver permanent expense reductions going forward. Operational and administrative restructuring costs of \$8.1 million were recognized during the year relating to these initiatives. We will continue to assess and, if necessary, further adjust our cost structure against the activity of the business in 2017.
- We generated adjusted EBITDA of \$27.5 million (adjusted EBITDA margin of 3.0%) in 2016, compared to \$51.2 million (adjusted EBITDA margin of 4.4%) in 2015. Our adjusted EBITDA results reflect lower contract income, partially offset by the reduction in administrative costs achieved through our restructuring initiatives.
- We reported a 2016 net loss of \$4.9 million (diluted loss per share of \$0.18), compared to net earnings of \$11.2 million (diluted earnings per share of \$0.39) in 2015. The decrease in net earnings primarily reflects the after-tax impact of lower adjusted EBITDA.
- We ended 2016 with a cash balance of \$31.5 million and additional borrowing capacity of approximately \$42.9 million.
- We negotiated the following amendments to our revolving credit facility (“Revolver”) in 2016:
 - On July 13, 2016, we amended our revolving credit facility, extending the maturity by one year to 2021 and negotiating improved terms. This amendment maintains our maximum borrowing capacity of \$175.0 million.
 - On December 23, 2016, we announced a reduction in our Revolver interest coverage covenant ratio to 2.25:1 until June 30, 2017, increasing to 2.50:1 until March 31, 2018, and thereafter returning to the previous level of 3.00:1.
- We paid annual dividends of \$0.48 per common share in 2016. On March 7, 2017, 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 13, 2017 to shareholders of record on March 31, 2017.

OUTLOOK

We expect 2017 consolidated revenue to be meaningfully higher than in 2016. The Northern Alberta wildfires that disrupted our oil and gas customers' operations in 2016 are not expected to repeat in 2017, and we believe we are well positioned to benefit from our growing volume of industrial MRO contracts with these customers. The Industrial Group also continues to successfully pursue new business opportunities both within and outside of Alberta, as evidenced by the major new contracts announced in recent months. Our revenue outlook also reflects the shift of several Buildings Group projects into higher activity construction phases in 2017. On a longer-term basis, our \$2.0 billion backlog provides line of sight to activity levels into 2019, and reflects our access to many different segments and geographies within the Canadian construction market. Both the Buildings Group and Commercial Systems Group are executing backlogs dominated by public projects across multiple provinces.

Adjusted EBITDA and adjusted EBITDA margin are expected to be higher in 2017 than in 2016, primarily reflecting the anticipated absence of both the wildfire impacts and the intersegment eliminations that negatively affected 2016 results. These year-over-year benefits are expected to be partially offset by an increase in incentive plan accruals associated with the expected improvement of consolidated financial results.

Industrial Group Outlook

Revenue from the Industrial Group is expected to be higher in 2017 than in 2016. Our customers' oil sands operations are recovering from the fire-related disruptions and challenging market conditions faced in 2016, enabling us to execute on our growing volume of MRO contracts. Industrial Group 2017 revenue will also be supported by the execution of industrial projects outside of Alberta, including continued work on a power project in Manitoba and a mining project in Ontario.

Industrial Group adjusted EBITDA and adjusted EBITDA margin as a percentage of revenue are expected to be meaningfully higher year-over-year. This reflects our expectation that productivity challenges and additional costs incurred during and following the 2016 wildfire crisis will not repeat in 2017.

We expect to execute approximately \$264.6 million of the Industrial Group's December 31, 2016 backlog in 2017. New contract awards and changes in scope are expected to supplement the Industrial Group's 2017 revenue from year-end backlog.

Buildings Group Outlook

Our Buildings Group anticipates higher revenue in 2017, reflecting a shift in year-over-year project stage of completion, as a greater proportion of contracts move from pre-construction into construction phases. Buildings Group revenue as a whole is expected to continue to be supported by predominantly public projects in multiple provinces, including the group's growing activity in Ontario.

Buildings Group adjusted EBITDA is expected to be modestly higher year-over-year, primarily reflecting the increase in revenue. Adjusted EBITDA margin is expected to be slightly lower year-over-year, primarily reflecting the absence of close-out margins recognized on several larger public projects completed in 2016.

We expect to execute approximately \$501.3 million of the Buildings Group's December 31, 2016 backlog during 2017. 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 2017 revenue is expected to be similar to 2016 levels, reflecting the slow rollout of new projects. Adjusted EBITDA and adjusted EBITDA margins are expected to be slightly higher than in 2016, reflecting completion of a large project that negatively impacted 2016 results, partially offset by competitive pricing pressures for both projects in backlog and projects expected to be secured in 2017.

During 2017, the Commercial Systems Group expects to execute approximately \$102.4 million of its December 31, 2016 backlog. New awards, short-duration projects, building maintenance and tenant improvement work on existing projects are expected to supplement the secured projects in backlog.

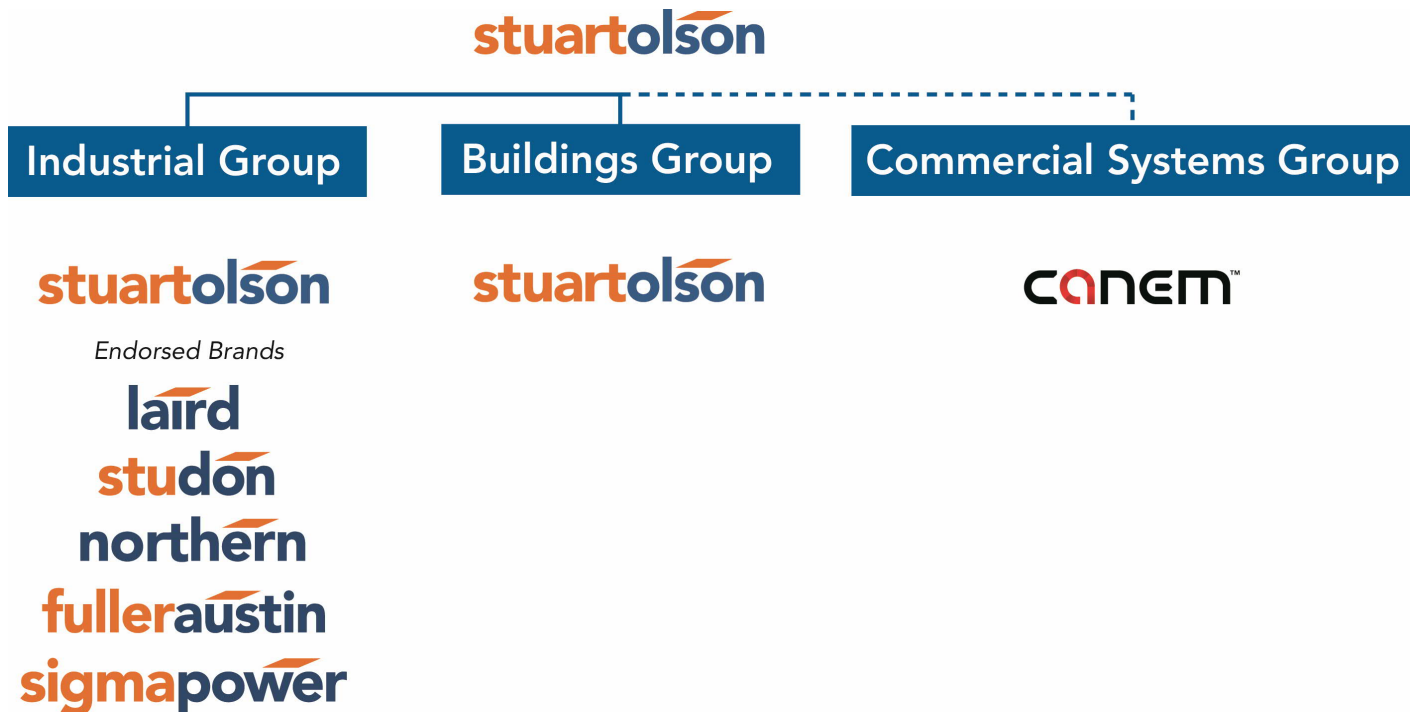
RISKS

Various factors could cause our actual results to differ materially from the results anticipated by management. These 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 from Ontario to British Columbia.

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 offers services to a wide range of industrial sectors including oil and gas, petrochemical, refining, water and waste water, mining, pulp and paper and power generation. With Industrial Group offices and projects across Western Canada, Ontario and the territories, we have developed a national platform to deliver industrial services.

Originally organized as separate service companies, the Industrial Group increasingly operates as an integrated industrial contractor, capable of 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 and public sectors. It operates projects and branch offices across Canada.

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 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 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 with offices and projects in British Columbia, Alberta, Saskatchewan and Manitoba. 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, 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 pre-fabricated modularized system components, which significantly improves worksite productivity.

RESULTS OF OPERATIONS

Consolidated Annual Results

Year ended December 31

<i>\$millions, except percentages and per share amounts</i>	2016	2015 ⁽³⁾	2014 ⁽³⁾
Contract revenue	909.6	1,151.4	1,306.3
Contract income	88.4	121.7	115.7
<i>Contract income margin⁽¹⁾</i>	9.7%	10.6%	8.9%
Administrative costs	86.5	94.4	92.5
Adjusted EBITDA ⁽¹⁾	27.5	51.2	43.6
<i>Adjusted EBITDA margin⁽¹⁾</i>	3.0%	4.4%	3.3%
Net (loss) earnings from continuing operations	(4.9)	11.2	7.1
Net loss from discontinued operations	nil	nil	(20.2)
Net (loss) earnings	(4.9)	11.2	(13.1)
(Loss) earnings per share			
Basic (loss) earnings from continuing operations	(0.18)	0.42	0.29
Basic (loss) earnings per share	(0.18)	0.42	(0.52)
Diluted from continuing operations	(0.18)	0.39	0.28
Diluted (loss) earnings per share	(0.18)	0.39	(0.53)
Dividends declared per share	0.48	0.48	0.48
Adjusted free cash flow ⁽¹⁾	(4.2)	33.7	18.2
Adjusted free cash flow per share ⁽¹⁾	(0.16)	1.28	0.73
<i>\$millions</i>	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Backlog ⁽¹⁾	1,995.1	1,960.9	1,986.8
Working capital ^{(1) (2)}	41.4	64.4	54.4
Long-term debt (excluding current portion)	32.8	46.6	0.8
Convertible debentures (excluding equity portion) ⁽²⁾	74.3	72.5	155.8
Total assets	602.2	646.8	783.6

Notes: (1) "Contract income margin", "adjusted EBITDA", "adjusted EBITDA margin", "adjusted free cash flow", "adjusted free cash flow per share", "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, are presented as a current liability of \$84.8 million as at December 31, 2014.

(3) Adjusted EBITDA for the years ended December 31, 2015 and December 31, 2014 is calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.

Consolidated Annual Results

For the year ended December 31, 2016, we recorded consolidated contract revenue of \$909.6 million, a decline of \$241.8 million or 21.0%, from \$1,151.4 million in 2015. On a segmented basis, 2016 revenue decreased by \$110.3 million or 27.1% in the Industrial Group, by \$109.3 million or 19.9% in the Buildings Group, and by \$34.7 million or 14.9% in the Commercial Systems Group. We recorded intersegment revenue eliminations of \$24.7 million during 2016, a decrease of \$12.6 million or 33.8% from 2015. This decrease reflects reduced intersegment activity between our business groups.

Full-year contract income was \$88.4 million in 2016, a decline of \$33.3 million or 27.4% from \$121.7 million in 2015. While contract income generated by the Buildings Group increased by \$0.8 million or 2.1%, this was offset by an \$18.4 million or 37.9% decrease in contract income from the Industrial Group and an \$8.1 million or 25.8% decrease from the Commercial Systems Group. The timing of intersegment eliminations further reduced contract income by \$7.6 million year-over-year. 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 intersegment projects under construction, the scale of the projects, contract terms and project stage of completion. Contract income margin decreased to 9.7% from 10.6% last year.

Administrative costs decreased by \$7.9 million or 8.4% to \$86.5 million in 2016 from \$94.4 million in 2015, notwithstanding the incurrence of \$6.5 million of administrative restructuring expenses, reflecting the effectiveness of our cost realignment measures. Administrative expenses were down by \$6.8 million or 25.7% in the Corporate Group and by \$4.1 million or 14.4% in the Industrial Group. These savings were partially offset by restructuring cost-driven increases of \$2.7 million or 10.7% in the Buildings Group and \$0.3 million or 2.1% in the Commercial Systems Group.

Adjusted EBITDA declined 46.3% to \$27.5 million in 2016, from \$51.2 million in 2015. The \$23.7 million year-over-year change primarily reflects the lower contract income, partially offset by lower core administrative costs (administrative costs excluding depreciation/amortization and restructuring charges). Adjusted EBITDA margin decreased to 3.0% from 4.4% in 2015.

We reported a consolidated net loss of \$4.9 million for the year ended December 31, 2016 (diluted loss per share of \$0.18), compared to consolidated net earnings of \$11.2 million (diluted earnings per share of \$0.39) in 2015. The year-over-year reduction reflects the lower adjusted EBITDA, restructuring charges incurred in 2016, and a one-time recovery in 2015 related to marking-to-market of an earn-out liability recognized as part of an acquisition. These impacts were partially offset by reduced finance costs and lower intangible asset amortization/impairment.

Adjusted free cash flow in 2016 was an outflow of \$4.2 million (outflow of \$0.16 per share), a decline of \$37.9 million from an inflow of \$33.7 million (inflow of \$1.28 per share) in 2015. The year-over-year change reflects the decline in adjusted EBITDA, 2016 operational and administrative restructuring costs, the settlement of a provision in 2016, as well as an increase in capital expenditures related to the acquisition of property, equipment and intangibles. Partly offsetting these factors was a decrease in interest payments in 2016 as a result of having two sets of convertible debentures outstanding in the first half of 2015.

Consolidated Q4 Results

<i>\$millions, except percentages and per share amounts</i>	Three months ended December 31	
	2016	2015 ⁽²⁾
Contract revenue	218.8	283.1
Contract income	19.9	30.7
<i>Contract income margin⁽¹⁾</i>	9.1%	10.8%
Administrative costs	20.1	25.5
Adjusted EBITDA ⁽¹⁾	5.4	12.0
<i>Adjusted EBITDA margin⁽¹⁾</i>	2.5%	4.2%
Net (loss) earnings	(1.9)	2.1
Earnings (loss) per share		
Basic (loss) earnings per share	(0.07)	0.08
Diluted (loss) earnings per share	(0.07)	0.08
Dividends declared per share	0.12	0.12
Adjusted free cash flow ⁽¹⁾	0.6	11.2
Adjusted free cash flow per share ⁽¹⁾	0.02	0.42

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

(2) Adjusted EBITDA for the three months ended December 31, 2015 is calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.

Consolidated Q4 Results

For the three months ended December 31, 2016, we generated consolidated contract revenue of \$218.8 million, 22.7% lower than the \$283.1 million recorded in the same period in 2015. Revenue decreased by \$48.6 million or 44.2% year-over-year in the Industrial Group and by \$20.8 million or 35.0% in the Commercial Systems Group. Partially offsetting these decreases was a \$3.7 million or 3.1% revenue increase in the Buildings Group, and a \$1.3 million or 17.3% reduction in intersegment revenue eliminated on consolidation, reflecting lower levels of intersegment activity in the Q4 2016 period.

Fourth quarter contract income of \$19.9 million decreased by \$10.8 million or 35.2% from \$30.7 million last year. The change in contract income included a \$7.2 million or 58.5% decrease from the Industrial Group, a \$4.3 million or 48.9% decrease from the Commercial Systems Group, and a \$0.6 million or 5.4% decrease from the Buildings Group. The timing of intersegment eliminations further reduced contract income by \$1.3 million year-over-year.

Fourth quarter 2016 administrative costs decreased to \$20.1 million, from \$25.5 million last year, primarily reflecting the benefits of our cost realignment measures. This 21.2% improvement was driven by administrative cost savings of \$2.8 million or 38.4% in the Corporate Group, \$1.3 million or 16.5% in the Buildings Group, \$1.1 million or 16.2% in the Industrial Group and \$0.4 million or 11.1% in the Commercial Systems Group.

For the three months ended December 31, 2016, we generated adjusted EBITDA of \$5.4 million. This compares to \$12.0 million in Q4 2015, a \$6.6 million or 55.0% decrease. Adjusted EBITDA margin declined to 2.5% from 4.2% year-over-year. The change in adjusted EBITDA primarily reflects the lower contract income, partially offset by lower administrative costs.

We recorded a consolidated net loss of \$1.9 million (diluted loss per share of \$0.07) in the fourth quarter of 2016. This compares to net earnings of \$2.1 million (diluted earnings per share of \$0.08) in the fourth quarter of 2015. The \$4.0 million year-over-year decline in net earnings reflects the lower adjusted EBITDA and significant restructuring costs incurred in the fourth quarter of 2016, partially offset by lower depreciation and tax expense.

Adjusted free cash flow in the fourth quarter of 2016 was an inflow of \$0.6 million (inflow of \$0.02 per share), a decline of \$10.6 million from an inflow of \$11.2 million (inflow of \$0.42 per share) in the fourth quarter of 2015. The year-over-year change reflects the decline in adjusted EBITDA, as well as an increase in capital expenditures related to the acquisition of property, equipment and intangibles.

Consolidated Backlog

<i>\$millions, except percentages</i>	Dec. 31, 2016	Dec. 31, 2015
Industrial Group	822.9	493.5
Buildings Group	1,048.5	1,334.0
Commercial Systems Group	123.7	133.4
Consolidated backlog	1,995.1	1,960.9
Construction management	44.0%	57.9%
Cost-plus	38.2%	28.2%
Design-build	5.3%	5.3%
Tendered (hard bid)	12.5%	8.6%

Consolidated backlog as at December 31, 2016 was \$1,995.1 million, an increase of \$34.2 million or 1.7% from backlog of \$1,960.9 million as at December 31, 2015. As at December 31, 2016, backlog consisted of work-in-hand of \$986.9 million (December 31, 2015 - \$897.2 million) and active backlog of \$1,008.2 million (December 31, 2015 - \$1,063.7 million). Approximately 44.0% of the backlog consists of construction management contracts, 38.2% cost-plus arrangements, 5.3% design-build contracts and 12.5% tendered (hard-bid) work. Net new contract awards and increases in contract value of \$202.5 million and \$1,035.8 million were added to work-in-hand in the fourth quarter and full-year 2016, respectively.

Our book-to-bill ratio for the fourth quarter and full-year of 2016 was 0.74 to 1.0 and 1.04 to 1.0, respectively. Revenue exceeded backlog additions in the fourth quarter of 2016 primarily due to delays in the rollout of new infrastructure project opportunities. Backlog additions exceeded revenue in 2016 primarily as a result of the large five-year MSA awarded to the Industrial Group, which added \$400.0 million to backlog in the first quarter of 2016. The remaining \$100.0 million balance of the total \$500.0 million MSA award was added to backlog in the fourth quarter of 2015.

RESULTS OF OPERATIONS BY BUSINESS GROUP

Industrial Group Results

<i>\$millions, except percentages</i>	Three months ended		Year ended	
	December 31		December 31	
	2016	2015 ⁽²⁾	2016	2015 ⁽²⁾
Contract revenue	61.4	110.0	296.4	406.7
Contract income	5.1	12.3	30.1	48.5
<i>Contract income margin⁽¹⁾</i>	8.3%	11.2%	10.2%	11.9%
Administrative costs	5.7	6.8	24.4	28.5
Adjusted EBITDA ⁽¹⁾	1.2	7.3	14.0	29.9
<i>Adjusted EBITDA margin⁽¹⁾</i>	2.0%	6.6%	4.7%	7.4%
EBT ⁽¹⁾	(0.7)	5.6	5.8	20.0
Backlog ⁽¹⁾⁽²⁾			822.9	493.5

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

(2) Adjusted EBITDA for the three months and year ended December 31, 2015 is calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.

Three-Month Results

For the three months ended December 31, 2016, the Industrial Group generated revenue of \$61.4 million, a \$48.6 million or 44.2% decrease from revenue of \$110.0 million during the same period in 2015. The year-over-year change primarily reflects the move by a number of customers in Alberta to demobilize MRO service providers for the December holiday break significantly earlier than in the past in order to preserve capital. It also reflects a reduction in new construction activity in the Alberta oil sands related to the "lower-for-longer" oil price environment. These impacts were partially offset by increased activity on a power project in Manitoba.

The Industrial Group reported fourth quarter 2016 contract income of \$5.1 million, a \$7.2 million or 58.5% decline from the \$12.3 million achieved during the same period in 2015. As a percentage of revenue, fourth quarter contract income margin decreased to 8.3% from 11.2%. The year-over-year change in contract income and contract income margin in the fourth quarter of 2016 reflects an increased proportion of lower-risk cost reimbursable work in the current project mix and a decline in benefits associated with economies of scale as a result of the lower revenue level in 2016.

Fourth quarter administrative costs declined by \$1.1 million or 16.2% to \$5.7 million, from \$6.8 million during the same period in 2015. This improvement was driven primarily by the group's 2016 cost realignment initiatives, partially offset by the recognition of administrative restructuring costs related to vacating leased facility space.

Adjusted EBITDA generated by the Industrial Group was \$1.2 million (2.0% adjusted EBITDA margin) in the fourth quarter of 2016, compared to \$7.3 million (6.6% adjusted EBITDA margin) during the same period in 2015. The \$6.1 million or 83.6% decrease primarily reflects the lower contract income, partially offset by lower core administrative costs (administrative costs excluding depreciation, amortization and administrative restructuring costs).

The Industrial Group reported a fourth quarter loss before tax of \$0.7 million, a decrease of \$6.3 million from earnings before tax of \$5.6 million in 2015. The year-over-year change was primarily due to the lower adjusted EBITDA and the recognition of administrative restructuring costs in the current quarter.

Twelve-Month Results

For the year ended December 31, 2016, the Industrial Group generated revenue of \$296.4 million, a decrease of \$110.3 million or 27.1% from \$406.7 million in 2015. The change in revenue reflects the negative impact of the Northern Alberta wildfires, including the loss of MRO revenue, scope decreases on active projects and revenue impacts from projects that have been deferred. Revenue was also negatively impacted by the year-over-year reduction in new oil sands construction activity related to the “lower-for-longer” oil price environment. These impacts were partially offset by increased activity on a mining project in the Northwest Territories and initial work on a power project in Manitoba.

The Industrial Group generated 2016 contract income of \$30.1 million, a decrease of \$18.4 million or 37.9% from the \$48.5 million achieved in 2015. Contract income margin was 10.2% in 2016 compared to 11.9% last year, reflecting additional costs associated with demobilizing and remobilizing on oil sands sites as a result of the wildfire crisis, project owners seeking supplier cost reductions, a greater proportion of lower-risk cost reimbursable MRO work in this year’s project mix and \$0.9 million in operational restructuring costs incurred in 2016 that were recognized as part of contract costs. These negative impacts were partially offset by the one-time release of project contingencies on two projects in 2016.

Administrative costs in 2016 decreased by \$4.1 million or 14.4% to \$24.4 million, from \$28.5 million in 2015. This improvement primarily reflects the benefit of cost realignment initiatives undertaken in response to the economic environment in Alberta. It also reflects the absence in 2016 of impairment charges that negatively impacted 2015 results. These improvements were partially offset by administrative restructuring costs of \$1.4 million in 2016 and a one-time recovery recognized in 2015 on marking-to-market of an earn-out liability recognized as part of an acquisition.

Adjusted EBITDA from the Industrial Group decreased by \$15.9 million or 53.2% to \$14.0 million (4.7% adjusted EBITDA margin) in 2016, from \$29.9 million (7.4% adjusted EBITDA margin) in 2015. The year-over-year decrease relates primarily to the decline in contract income, partially offset by savings in core administrative costs (excluding depreciation, amortization, restructuring costs, impairment charges and recoveries related to investing decisions).

Industrial Group earnings before tax declined by \$14.2 million or 71.0% to \$5.8 million in 2016, from \$20.0 million last year. The decrease in earnings before tax primarily reflects the decline in contract income, partially offset by the administrative cost savings.

Backlog

As at December 31, 2016, Industrial Group backlog increased to \$822.9 million, from a backlog of \$493.5 million at December 31, 2015. The \$329.4 million or 66.7% increase was primarily due to the addition of \$400.0 million of backlog related to a \$500.0 million five-year MSA award in the first quarter of 2016 to provide MRO services to a longstanding oil sands customer in Alberta. The remaining \$100.0 million of this \$500.0 million award was subject to client renewal commitments issued to us in the previous year for work to be undertaken in 2016, and was included in backlog at the end of 2015. As at December 31, 2016, 82.0% of the Industrial Group’s backlog was composed of cost-plus projects and 18.0% was tendered (hard-bid) projects. The December 31, 2016 backlog consisted of \$334.2 million of work-in-hand and \$488.7 million of active backlog, compared to \$328.2 million of work-in-hand and \$165.3 million of active backlog at December 31, 2015. With respect to work-in-hand, the Industrial Group contracted \$314.1 million of new awards during the year and executed \$296.4 million of contract revenue.

Buildings Group Results

<i>\$millions, except percentages</i>	Three months ended		Year ended	
	December 31		December 31	
	2016	2015 ⁽²⁾	2016	2015 ⁽²⁾
Contract revenue	124.9	121.2	439.2	548.5
Contract income	10.5	11.1	39.0	38.2
<i>Contract income margin⁽¹⁾</i>	8.4%	9.2%	8.9%	7.0%
Administrative costs	6.6	7.9	28.0	25.3
Adjusted EBITDA ⁽¹⁾	4.8	6.2	17.3	17.5
<i>Adjusted EBITDA margin⁽¹⁾</i>	3.8%	5.1%	3.9%	3.2%
EBT ⁽¹⁾	4.0	3.5	11.2	13.4
Backlog ⁽¹⁾⁽²⁾			1,048.5	1,334.0

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

(2) Adjusted EBITDA for the three months and year ended December 31, 2015 is presented as calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.

Three-Month Results

For the three months ended December 31, 2016, the Buildings Group generated revenue of \$124.9 million, an increase of \$3.7 million or 3.1% from \$121.2 million in the same period in 2015. The primary factor in this increase was increased activity in Alberta and Ontario, partially offset by the completion of projects in Manitoba that provided significant revenue in the fourth quarter of 2015.

Contract income decreased slightly to \$10.5 million in the fourth quarter of 2016, a decline of \$0.6 million from \$11.1 million during the same period in 2015. Contract income margin decreased to 8.4% from 9.2% year-over-year, reflecting the change in project mix and project stage of completion between the two periods, partially offset by the move away from higher-risk industrial projects that generated negative margins during the fourth quarter of 2015.

Fourth quarter 2016 administrative costs decreased by \$1.3 million or 16.5% to \$6.6 million, from \$7.9 million in Q4 2015. The decrease in administrative costs was driven by benefits realized from our strategic cost realignment measures and the significant impairment and restructuring costs recognized in the 2015 period relating to subleasing excess office space.

The Buildings Group generated fourth quarter adjusted EBITDA of \$4.8 million, a \$1.4 million or 22.6% decrease from \$6.2 million the previous year. The year-over-year change relates primarily to the lower contract income, partially offset by administrative cost savings (excluding depreciation, impairment and restructuring charges). Adjusted EBITDA margin decreased to 3.8% from 5.1% year-over-year.

The Buildings Group increased fourth quarter earnings before tax by 14.3% to \$4.0 million, from \$3.5 million in Q4 2015. The \$0.5 million year-over-year increase reflects the positive impact of lower administrative costs, partially offset by the decrease in contract income.

Twelve-Month Results

For the year ended December 31, 2016, the Buildings Group generated revenue of \$439.2 million, a decrease of \$109.3 million or 19.9% from revenue of \$548.5 million in 2015. The year-over-year change reflects lower activity levels due to delays in the rollout of new infrastructure opportunities, delays in the commencement of new projects currently in pre-construction and the planned reduction in Buildings Group industrial site project activity. These impacts were partially offset by the group's increased activity levels in Ontario and Saskatchewan.

Full-year Buildings Group contract income increased by 2.1% to \$39.0 million, from \$38.2 million in 2015. The \$0.8 million increase reflects a contract income margin of 8.9% in 2016, compared to 7.0% in 2015. The higher contract income margin was principally driven by a change in project mix and project stage of completion in the two years and the move away from the higher-risk industrial projects that generated negative margins during 2015.

Buildings Group administrative costs increased \$2.7 million or 10.7% to \$28.0 million in 2016, from \$25.3 million in 2015. The increase is primarily due to a \$4.2 million onerous lease, restructuring and impairment costs recognized in 2016, of which \$3.8 million was non-cash, compared to restructuring and impairment costs of \$1.8 million in 2015.

Adjusted EBITDA for the year ended December 31, 2016 decreased by 1.1% to \$17.3 million (3.9% adjusted EBITDA margin), from \$17.5 million (3.2% adjusted EBITDA margin) in 2015. This \$0.2 million change was driven by the higher administrative costs (excluding restructuring and impairment charges), partially offset by the improvement in contract income.

The Buildings Group generated fiscal 2016 earnings before tax of \$11.2 million, compared to \$13.4 million in 2015. The \$2.2 million or 16.4% year-over-year change primarily reflects the lower adjusted EBITDA and higher administrative restructuring costs recognized in 2016.

Backlog

As at December 31, 2016, the Buildings Group's backlog was \$1,048.5 million, compared to \$1,334.0 million at December 31, 2015. The \$285.5 million or 21.4% decrease primarily reflects reductions in both public and private backlog in Alberta and British Columbia as a result of delays in the rollout of new infrastructure opportunities. As at December 31, 2016, 80.6% of the Buildings Group's backlog was composed of CM assignments, 8.4% was cost-plus projects, 9.5% was design-build contracts and 1.4% was tendered (hard-bid) projects. The December 31, 2016 backlog consisted of \$536.6 million of work-in-hand and \$511.9 million of active backlog, compared to \$447.6 million of work-in-hand and \$886.3 million of active backlog as at December 31, 2015. With respect to work-in-hand, the Buildings Group contracted \$528.2 million of new awards during the year and executed \$439.2 million of contract revenue.

Commercial Systems Group Results

<i>\$millions, except percentages</i>	Three months ended		Year ended	
	December 31		December 31	
	2016	2015 ⁽²⁾	2016	2015 ⁽²⁾
Contract revenue	38.6	59.4	198.8	233.5
Contract income	4.5	8.8	23.3	31.4
<i>Contract income margin⁽¹⁾</i>	11.7%	14.8%	11.7%	13.4%
Administrative costs	3.2	3.6	14.3	14.0
Adjusted EBITDA ⁽¹⁾	2.0	5.6	12.1	19.4
<i>Adjusted EBITDA margin⁽¹⁾</i>	5.2%	9.4%	6.1%	8.3%
EBT ⁽¹⁾	1.4	5.2	9.3	17.7
Backlog ⁽¹⁾⁽²⁾			123.7	133.4

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

(2) Adjusted EBITDA for the three months and year ended December 31, 2015 is presented as calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.

Three-Month Results

For the three months ended December 31, 2016, the Commercial Systems Group generated revenue of \$38.6 million, compared to \$59.4 million in Q4 2015. The \$20.8 million or 35.0% decline reflects lower activity levels due to delays in the rollout of new infrastructure opportunities, as well as the wrap up of a number of projects in Alberta and Manitoba that contributed significant revenue to the same period in 2015.

Fourth quarter contract income from the Commercial Systems Group decreased \$4.3 million or 48.9% to \$4.5 million, from \$8.8 million in Q4 2015. As a percentage of revenue, fourth quarter contract income margin was 11.7% compared to 14.8% in Q4 2015, reflecting changes in project mix and stage of completion, competitive pricing pressures on new projects and operational restructuring costs incurred in the fourth quarter.

Administrative costs in the fourth quarter decreased to \$3.2 million, from \$3.6 million in Q4 2015. This \$0.4 million or 11.1% decrease relates to cost savings associated with administrative restructuring activities undertaken during 2016.

Adjusted EBITDA from the Commercial Systems Group was \$2.0 million (5.2% adjusted EBITDA margin) in the fourth quarter of 2016, compared to \$5.6 million (9.4% adjusted EBITDA margin) in Q4 2015. The year-over-year decline in adjusted EBITDA and adjusted EBITDA margin primarily reflect the decrease in contract income, partially offset by the administrative cost savings.

The group generated earnings before tax of \$1.4 million in the fourth quarter of 2016. This was \$3.8 million or 73.1% lower than the \$5.2 million achieved during the same period in 2015. The year-over-year decrease is mainly due to the lower adjusted EBITDA.

Twelve-Month Results

For the year ended December 31, 2016, revenue from the Commercial Systems Group decreased to \$198.8 million, from \$233.5 million in 2015. The \$34.7 million or 14.9% reduction reflects the 2015 wrap up of a number of projects in British Columbia and Manitoba that contributed significant revenue to that year's results.

Full-year contract income decreased by \$8.1 million, or 25.8%, to \$23.3 million, from \$31.4 million in 2015. Contract income margin decreased to 11.7% in 2016 from 13.4% in 2015, reflecting changes in project mix and project stage of completion, as well as customer-driven productivity issues on a large project that reached substantial completion in 2016.

Administrative costs increased by 2.1% to \$14.3 million in 2016, from \$14.0 million in 2015. The increase primarily reflects administrative restructuring costs recognized in 2016 as we realigned the group's cost structure to better match activity levels.

Adjusted EBITDA from the Commercial Systems Group was \$12.1 million (6.1% adjusted EBITDA margin) in 2016, compared to \$19.4 million (8.3% adjusted EBITDA margin) in 2015. The \$7.3 million or 37.6% decrease primarily reflects the lower contract income.

The group generated 2016 earnings before tax of \$9.3 million. This was \$8.4 million or 47.5% lower than the \$17.7 million achieved in 2015. The year-over-year decline is attributable to a combination of the lower adjusted EBITDA and the restructuring charges recognized in 2016.

Backlog

Commercial Systems Group backlog was \$123.7 million at December 31, 2016, compared to \$133.4 million at December 31, 2015, a decrease of \$9.7 million or 7.3%. As at December 31, 2016, the group's backlog was composed of 24.8% CM and cost-plus projects, 5.1% design-build projects, and 70.0% tendered projects. The December 31, 2016 backlog consisted of \$116.1 million of work-in-hand and \$7.6 million of active backlog compared to \$121.4 million of work-in-hand and \$12.1 million of active backlog at December 31, 2015. With respect to work-in-hand, the group contracted \$193.5 million of new awards during the year and executed \$198.8 million of construction activity.

Corporate Group Results

<i>\$millions</i>	Three months ended		Year ended	
	December 31		December 31	
	2016	2015 ⁽²⁾	2016	2015 ⁽²⁾
Administrative costs	4.5	7.3	19.7	26.5
Finance costs	2.1	2.1	8.5	12.4
Adjusted EBITDA ⁽¹⁾	(2.4)	(5.8)	(12.0)	(19.3)
EBT ⁽¹⁾	(6.7)	(9.4)	(28.0)	(38.6)

Note: (1) "Adjusted EBITDA" and "EBT" are non-IFRS measures. Refer to "Non-IFRS Measures" for the definition of the term.

(2) Adjusted EBITDA for the three months and year ended December 31, 2015 is presented as calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.

Three-Month Results

For the three months ended December 31, 2016, Corporate Group administrative costs decreased by 38.4% to \$4.5 million, from \$7.3 million in the fourth quarter of 2015. The \$2.8 million decrease is primarily related to a year-over-year reduction in incentive plan accruals as a result of the decline in consolidated financial results and a decrease in share-based compensation expense due to a 3.2% decrease in our share price in the quarter. This compares to a 2.3% appreciation in our share price in Q4 2015, and the corresponding impact of marking-to-market our share-based incentive plans.

The Corporate Group's finance costs were similar year-over-year in the fourth quarter of 2016 at \$2.1 million, reflecting a comparable year-over-year average balance drawn on our revolving credit facility.

Corporate Group adjusted EBITDA improved to a loss of \$2.4 million in Q4 2016, from a loss of \$5.8 million in Q4 2015. The \$3.4 million or 58.6% improvement primarily reflects the decrease in administrative costs (excluding depreciation, amortization and administrative restructuring costs). The Corporate Group incurred a fourth quarter 2016 loss before tax of \$6.7 million, compared to a loss before tax of \$9.4 million in the comparable period in 2015. The year-over-year decline was due to the decrease in administrative costs.

Twelve-Month Results

For the year ended December 31, 2016, Corporate Group administrative expenses declined by 25.7% to \$19.7 million, from \$26.5 million in 2015. The \$6.8 million decrease is primarily related to a year-over-year reduction in the amount of incentive plan accruals as a result of the decline in consolidated financial results. This change was partially offset by an increase in share-based compensation expenses due to a 2.5% increase in our share price in 2016. This compares to a 25.5% decrease in our share price in 2015, and the corresponding impact of marking-to-market our share-based compensation plans.

The Corporate Group's finance costs were \$8.5 million in 2016, compared to \$12.4 million last year. The \$3.9 million or 31.5% decrease reflects having just one set of higher interest convertible debentures outstanding in 2016, as compared to two sets for the first half of 2015.

Corporate Group adjusted EBITDA in 2016 improved by 37.8% to a loss of \$12.0 million, from a loss of \$19.3 million in 2015. The \$7.3 million improvement reflects the decrease in administrative costs. For the year ended December 31, 2016, the Corporate Group incurred a loss before tax of \$28.0 million, an improvement of \$10.6 million or 27.5% compared to the loss before tax of \$38.6 million in 2015. This year-over-year improvement reflects the decrease in administrative and finance costs.

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 as at December 31, 2016 were \$31.5 million, compared to \$33.7 million held at December 31, 2015. This \$2.2 million decrease reflects the application of excess cash held to reduce amounts drawn under our Revolver.

As at December 31, 2016, we had additional borrowing capacity under our Revolver of \$42.9 million, as compared to available capacity of \$106.2 million at December 31, 2015. The \$63.3 million reduction primarily reflects the impact of the reduction in our last-twelve-month adjusted EBITDA (calculated in accordance with the definition of EBITDA as set out in the Revolver Agreement) for the year ending December 31, 2016 as a result of the Northern Alberta wildfires, Alberta's challenging economic environment, the year-over-year negative impact of intersegment eliminations and the incurrence of significant restructuring costs in 2016.

Debt and Capital Structure

Long-term indebtedness, including the current portion of long-term debt and convertible debentures, decreased to \$116.9 million at December 31, 2016, from \$131.7 million as at December 31, 2015. Long-term indebtedness consists of \$80.5 million (December 31, 2015 - \$80.5 million) principal value at maturity of outstanding convertible debentures and the principal value of long-term debt of \$36.4 million (December 31, 2015 - \$51.2 million) before the deduction of deferred financing fees.

The current portion of long-term debt as at December 31, 2016 was \$1.2 million (December 31, 2015 - \$2.4 million).

We monitor our capital structure through the use of indebtedness to capitalization and net long-term indebtedness to adjusted EBITDA metrics. Indebtedness to capitalization as at December 31, 2016 was 35.7%, which is consistent with the 36.9% ratio as at December 31, 2015 and is in line with our long-term targeted range of 20.0% to 40.0%.

As at December 31, 2016, our net long-term indebtedness to adjusted EBITDA ("net debt to adjusted EBITDA") ratio was 3.1x, which is higher than the 1.8x presented as at December 31, 2015. This reflects the year-over-year decline in adjusted EBITDA. Notwithstanding this higher net debt to adjusted EBITDA level at December 31, 2016, management remains committed to its targeted three-to-five year planning range of 2.0x to 3.0x.

As at December 31, 2016, we were in full compliance with our Revolver covenants.

Ratio	Covenant	Actual as at Dec. 31, 2016
Interest coverage ⁽¹⁾	>2.25:1.00	3.01
Total debt to EBITDA ⁽²⁾	<3.00:1.00	1.35

Notes: (1) The interest coverage covenant ratio requirement was amended on December 23, 2016, please refer to the next section of this document for further details.

(2) Total debt and EBITDA are calculated in accordance with their definitions in our Revolver agreement.

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 13, 2016, we completed the negotiation of improved terms and an extension to our Revolver, which now consists of a \$150.0 million credit facility and a \$25.0 million operating facility. The combination of these two facilities maintains our maximum available borrowing capacity of \$175.0 million. 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, 2021.

On December 23, 2016, we negotiated an additional amendment to the Revolver Agreement to reduce the interest coverage ratio as we work through the negative factors impacting 2016 last-twelve month Revolver EBITDA. The interest coverage ratio must be:

- Not less than 2.25 to 1.0 for fiscal quarters ending December 31, 2016, March 31, 2017 and June 30, 2017,
- Not less than 2.50 to 1.0 for fiscal quarters ending September 30, 2017, December 31, 2017 and March 31, 2018, and
- Not less than 3.00 to 1.0 for fiscal quarters ending after March 31, 2018.

These amending agreements to the Revolver containing all of the foregoing changes and certain other non-material changes are available under our SEDAR profile at www.sedar.com.

Summary of Cash Flows

<i>\$millions</i>	Year ended December 31	
	2016	2015
Operating activities	24.8	62.2
Investing activities	(5.6)	(65.7)
Financing activities	(25.6)	(62.8)
(Decrease) increase in cash	(6.4)	(66.3)
Cash and cash equivalents, beginning of period ⁽¹⁾	37.8	104.1
Cash and cash equivalents, end of period ⁽¹⁾	31.5	37.8

Note: (1) Cash and cash equivalents includes restricted cash.

For the year ended December 31, 2016, cash generated from operating activities was \$24.8 million as compared to cash generated of \$62.2 million in 2015, a year-over-year decrease of \$37.4 million. The decrease was driven primarily by lower operating performance, the settlement of a provision during the period in 2016 and by a decline in the “change in non-cash working capital balances” year-over-year.

Cash used by investing activities amounted to \$5.6 million in 2016, compared to \$65.7 million in 2015, a net change of \$60.1 million. This decline in cash used by investing activities primarily reflects the \$62.3 million of cash consideration paid to complete the Studon acquisition in 2015, partially offset by increased capital expenditures in 2016 related to property, equipment and intangibles.

Cash used by financing activities totalled \$25.6 million in 2016, as compared to \$62.8 million of cash used by financing activities in the prior-year period. The \$37.2 million decrease in cash used by financing activities primarily reflects the repayment of \$86.3 million of our 2010 convertible debentures in the second quarter of 2015, partially offset by a draw on our Revolver in 2015 to assist in the repayment of the debentures.

External Factors Impacting Liquidity

Please refer to the section entitled “Risk Factors” contained in the Stuart Olson 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 property, equipment and intangible assets, are associated with our need to maintain and support existing operations. We expect capital expenditures for 2017 to be approximately \$5.0 million, moderately below the \$6.6 million of expenditures in 2016.

Working Capital

As at December 31, 2016, we had working capital of \$41.4 million, compared to \$64.4 million at December 31, 2015. The \$23.0 million decrease primarily reflects a reduction in non-cash working capital as we resolved and collected a number of aged receivables, combined with lower activity levels in 2016 resulting in the conversion of non-cash working capital to cash in the year. Cash proceeds from the collection of non-cash working capital were used to repay amounts drawn under 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 30* of the December 31, 2016 Audited Consolidated Annual Financial Statements.

Contractual Obligations

The following are our contractual financial obligations as at December 31, 2016. 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 29(c)(iii)* of the December 31, 2016 Audited Consolidated Annual Financial Statements.

<i>\$thousands</i>	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	\$ 165,997	\$ 165,997	\$ 165,997	\$ nil	\$ nil	\$ nil
Provisions including current portion	9,739	12,708	5,730	2,195	1,361	3,422
Convertible debentures (debt portion)	74,270	94,990	4,830	90,160	nil	nil
Long-term debt including current portion	33,985	36,439	1,255	92	35,092	nil
Operating lease commitments	nil	59,290	8,705	14,371	14,370	21,844
	\$ 283,991	\$ 369,424	\$ 186,517	\$ 106,818	\$ 50,823	\$ 25,266

Scheduled long-term debt principal repayments due within one year of December 31, 2016 were \$1.2 million (December 31, 2015 - \$2.4 million).

Share Data

As at December 31, 2016, we had 26,921,371 common shares issued and outstanding and 1,995,134 options convertible into common shares (December 31, 2015 - 26,532,482 common shares and 1,715,118 options). Please refer to *Note 26* and *Note 27* of the December 31, 2016 Audited Consolidated Annual Financial Statements for further details. On January 17, 2017, we issued 106,777 shares pursuant to our Dividend Reinvestment Plan ("DRIP"). The details pertaining to our DRIP are available on our website at www.stuartolson.com. As at March 7, 2017, we had 27,028,148 common shares issued and outstanding and 1,995,134 options convertible into common shares.

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

As at December 31, 2016, shareholders' equity was \$210.8 million, compared to \$225.0 million as at December 31, 2015. This \$14.2 million decrease reflects \$12.9 million of dividends declared and a net loss of \$4.9 million in 2016. These effects were partially offset by a \$0.7 million defined benefit plan actuarial gain, net of tax, \$2.2 million related to shares issued pursuant to the DRIP and \$0.6 million related to share-based compensation expense.

DIVIDENDS

Declaration of Common Share Dividend

On March 7, 2017, 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 13, 2017 to shareholders of record on March 31, 2017. 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 as at December 31, 2016.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, Don Sutherland, the former President of Studon, was no longer considered a related party. Stuart Olson incurred facility costs during the year ended December 31, 2015 of \$0.5 million for the rental of buildings that were partially owned indirectly by Mr. Sutherland. No amounts were included in trade payables as at December 31, 2015.

During the year ended December 31, 2016, George Schneider, a former Director of Stuart Olson and owner of Schneider Investments Inc., was no longer considered a related party. We incurred facility costs during the year ended December 31, 2015 of \$0.3 million for the rental of a building that is 50% owned by Schneider Investments Inc. No amounts were included in trade payables as at December 31, 2015.

QUARTERLY FINANCIAL INFORMATION

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

<i>\$millions, except per share amounts</i>	2016 Quarter Ended:				2015 Quarter Ended ⁽²⁾ :			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Contract revenue	218.8	220.7	227.2	243.0	283.1	281.7	303.7	282.9
Adjusted EBITDA ⁽¹⁾	5.4	8.6	7.2	6.4	12.0	15.8	12.9	10.5
Net (loss) earnings	(1.9)	1.4	(3.4)	(0.9)	2.1	6.4	1.7	1.0
Net (loss) earnings per common share								
Basic (loss) earnings per share	(0.07)	0.05	(0.13)	(0.03)	0.08	0.24	0.06	0.04
Diluted (loss) earnings per share	(0.07)	0.05	(0.13)	(0.03)	0.08	0.18	0.06	0.04

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

(2) On January 6, 2015, we acquired all of the issued and outstanding shares of Studon. Our reported results include Studon's results from the acquisition date.

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, adjusted 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 adjusted EBITDA and contract income declined primarily as a result of a shift in intersegment eliminations. Profit recorded in Q3 2015 as a result of intersegment projects reversed in the fourth quarter as these projects moved into later stages of completion.

Revenue decreased in the first quarter of 2016 compared to the fourth quarter of 2015, driven primarily by seasonal declines in activity levels for our Industrial Group and the completion of a major project for our Buildings Group in Manitoba that provided significant revenue in Q4 2015. First quarter adjusted EBITDA and contract income results were negatively affected by the timing of intersegment eliminations, and adjusted EBITDA was further impacted by the increase in our share price and the associated effect on share-based compensation expense (quarter-over-quarter net impact of \$1.2 million).

Second quarter 2016 results were negatively impacted by the Northern Alberta wildfires which disrupted Industrial Group operations. Restructuring costs were also recognized in all of our groups as we aligned our cost structure for the current economic environment. Notwithstanding these negative impacts, adjusted EBITDA improved as a result of an increase in Buildings Group activity, a reversal of intersegment eliminations in the first quarter that did not repeat in the second quarter, and a decrease in share-based compensation expense. The latter reflects the impact of a decrease in our share price in the second quarter of 2016, compared to share price appreciation in the first quarter of 2016.

Adjusted EBITDA and net earnings improved in the third quarter of 2016 on stable revenues, as compared to the second quarter. The improvement was driven by a lessened impact of the Northern Alberta wildfires on our third quarter results, as well as significant restructuring costs reflected in the second quarter results that did not repeat to the same extent in the third quarter. Partially offsetting these impacts was a share-based compensation recovery recognized in the second quarter of 2016 as a result of a decline in our share price, as compared to slight share price appreciation in the third quarter of 2016.

Financial results for the fourth quarter of 2016 declined compared to the third quarter of 2016 primarily reflecting the release in the third quarter of 2016 of one-time project contingencies on two Industrial Group projects that did not repeat in Q4. This impact was partially offset by the neutral impact of intersegment eliminations on the quarter, as compared to a negative impact in Q3. Share-based compensation expense was also lower in the fourth quarter than in the third quarter. This reflects a decline in our share price in the fourth quarter of 2016, as compared to slight share price appreciation in the third quarter.

For a more detailed discussion and analysis of quarterly results prior to December 31, 2016, 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;
- Income taxes;
- Revenue recognition;
- Estimates used to determine costs in excess of billings and contract advances;
- Estimates used to determine allowance for doubtful accounts;
- Measurement of defined benefit pension obligations;
- Estimates related to the useful lives and residual value of property and equipment;
- Estimates in impairment of property and equipment, goodwill and intangible assets;
- Estimates in amounts and timing of provisions;
- Assumptions used in share-based payment arrangements; and
- Assumptions and estimates surrounding the fair value of assets and liabilities recognized through business combinations.

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 2016 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 re-measured 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.

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.

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 Used to Determine Allowance for Doubtful Accounts

Management 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. We take 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, Stuart Olson assesses the customer's credit quality and establishes the customer's credit limit. We account for specific bad debt provisions when management considers that the expected recovery is less than the actual amount of the accounts receivable.

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 Note 13* 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.

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 (loss) earnings on a straight-line basis over the estimated useful life of each asset. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives, unless it is reasonably certain that 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 4 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.

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 as a result of multiple past acquisitions. The Industrial Group's goodwill stems from the Laird Electric Inc. acquisition in 2003 and the Studon acquisition in 2015. 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 2016, the Company performed its annual goodwill impairment test. The calculated Business Enterprise Value for each of the Cash Generating Units ("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 December 2016 update of the Company's 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 time frame. 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 an after-tax discount rate of 11% (2015 – 11%) and a steady annual growth rate of 2% (2015 – 2%) in the terminal year. The same discount rate was used in each of the CGUs given that each entity has access to the same source of debt and each CGU is ultimately governed by management at the parent Company. In addition, entity specific risks were separately factored into each CGU forecast. 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 Associated with Amounts and Timing of Provisions

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.

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

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 nature uncertain and the amounts recorded reflect the best estimate of the expenditure required to settle the obligations.

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. We conduct a thorough review of the liability every reporting period and take into consideration our experience to date with those subcontractors, some of which are enrolled in our 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.

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.

Assumptions Used in Share-Based Payment Arrangements

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 re-measured at each reporting date and at the 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.

We will settle the BRSUs, RSUs and PSUs (collectively, the MTIPs) in cash within 20 business days after vesting. The original cost of 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 are recognized as a compensation expense in the period in which the changes occur.

Information about the vesting conditions for share-based payments is disclosed in *Note 26* of the Audited Consolidated Annual Financial Statements.

Assumptions and Estimates Surrounding the Fair Value of Assets and Liabilities Recognized through 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 us, liabilities incurred by us to the former owners of the acquiree and the equity interests issued or cash paid by us 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 Company 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.

We measure 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 re-measured at subsequent reporting dates, with the corresponding gain or loss being recognized in earnings or loss.

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, 2016 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 Revolver, 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 December 31, 2016 Audited Consolidated Annual Statements of (Loss) Earnings and Comprehensive (Loss) Earnings, and is net of any recoveries that were provided for in a prior period. Allowance for doubtful accounts as at December 31, 2016 was \$1.0 million (December 31, 2015 - \$2.6 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, 2016, we had \$14.0 million of trade receivables (December 31, 2015 - \$27.4 million) which were greater than 90 days past due, with \$13.0 million not provided for as at December 31, 2016 (December 31, 2015 - \$24.9 million). Management is not concerned about 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 improvement from year-end 2015 is primarily the result of the resolution and collection of a number of significant balances that were outstanding at December 31, 2015. Trade receivables are included in trade and other receivables in the December 31, 2016 Audited 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. As at December 31, 2016, 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 \$0.2 million (December 31, 2015 - \$0.3 million) related to financial assets and \$0.2 million (December 31, 2015 - \$0.4 million) related to financial liabilities.

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

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

Please refer to *Note 29* of the December 31, 2016 Audited Consolidated Annual Financial Statements for further detail.

Controls & Procedures

All of the controls and procedures set out below encompass all Stuart Olson companies.

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 comprised 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, 2016. 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, 2016.

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, 2016, 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, 2016 and ending on December 31, 2016 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”, “adjusted EBITDA”, “adjusted EBITDA margin”, “EBT”, “adjusted free cash flow”, “adjusted free cash flow per share”, “Indebtedness”, “Indebtedness to Capitalization” and “Net Long-Term Indebtedness to adjusted 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 MRO contracts during the shorter of: (a) 12 months, or (b) the remaining life of the contract.

Backlog and Active Backlog

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

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

<i>\$millions</i>	Dec. 31, 2016	Dec. 31, 2015
Work-in-hand	986.9	897.2
Active backlog	1,008.2	1,063.7
Consolidated backlog	1,995.1	1,960.9

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. The following outlines the calculation of our book-to-bill ratio for the current year periods.

<i>\$millions, except book-to-bill ratio</i>	Year ended	Three months ended
	Dec. 31, 2016	Dec. 31, 2016
Ending backlog	1,995.1	1,995.1
Less: Opening backlog	(1,960.9)	(2,050.9)
Plus: Contract revenue	909.6	218.8
Net backlog additions	943.8	163.0
Divided by: Contract revenue	909.6	218.8
Book-to-bill ratio	1.04	0.74

Working Capital

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

<i>\$millions</i>	Dec. 31, 2016	Dec. 31, 2015
Current assets	289.6	319.8
Current liabilities	(248.2)	(255.4)
Working capital	41.4	64.4

Adjusted EBITDA and EBT

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

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

EBITDA and adjusted EBITDA are common financial measures used by investors, analysts and lenders as an indicator of operating performance, as well as a valuation metric and as a measure of a company's ability to incur and service debt. Our calculation of adjusted EBITDA excludes items that do not reflect our ongoing operations, including restructuring charges and charges related to investing decisions, and that we believe should not be reflected in a metric used for valuation and debt servicing evaluation purposes.

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

<i>\$millions</i>	2016 Quarter Ended:				2015 Quarter Ended:			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Net (loss) earnings	(1.9)	1.4	(3.4)	(0.9)	2.1	6.4	1.7	1.0
Add: Income tax (recovery) expense	(0.3)	0.6	(1.2)	(0.2)	1.4	0.9	2.2	0.4
EBT	(2.2)	2.0	(4.6)	(1.1)	3.5	7.3	3.9	1.4
Add: Depreciation and amortization	4.0	4.1	4.1	4.3	4.7	5.1	5.2	5.2
Impairment	nil	nil	0.2	nil	1.2	4.0	nil	nil
Finance costs	2.2	2.1	2.2	2.2	2.1	2.4	4.0	4.1
Finance income	nil	nil	nil	nil	nil	nil	(0.3)	(0.1)
Recovery relating to investing activities	nil	nil	nil	nil	nil	(2.9)	nil	nil
Restructuring costs	1.4	0.4	5.3	1.0	0.6	nil	nil	nil
(Loss) gain on disposal of assets	nil	nil	nil	nil	(0.1)	(0.1)	0.1	(0.1)
Adjusted EBITDA	5.4	8.6	7.2	6.4	12.0	15.8	12.9	10.5

<i>\$millions</i>	Year ended December 31	
	2016	2015
Net (loss) earnings	(4.9)	11.2
Add: Income tax (recovery) expense	(0.9)	4.8
EBT	(5.8)	16.0
Add: Depreciation and amortization	16.5	20.3
Impairment	0.2	5.2
Finance costs	8.6	12.6
Finance income	(0.1)	(0.5)
Recovery relating to investing activities	nil	(2.9)
Restructuring costs	8.1	0.6
Loss on disposal of assets	nil	(0.1)
Adjusted EBITDA	27.5	51.2

Adjusted EBITDA Margin

Adjusted EBITDA margin is the percentage derived from dividing adjusted 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 acquisitions), adjusted to exclude the impact of changes in non-cash working capital balances. Adjusted free cash flow per share is calculated as adjusted free cash flow divided by 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 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.

<i>\$millions, except per share data and number of shares</i>	Three months ended		Year ended	
	December 31		December 31	
	2016	2015	2016	2015
Net cash generated in operating activities	15.4	15.6	24.8	62.2
Less: Cash additions to intangible assets	(1.0)	(0.3)	(2.3)	(0.9)
Cash additions to property and equipment	(0.5)	(1.8)	(4.3)	(3.6)
Cash generated by changes in non-cash working capital balances	(13.2)	(2.3)	(22.4)	(24.0)
Adjusted free cash flow	0.6	11.2	(4.2)	33.7
Adjusted free cash flow per share	0.02	0.42	(0.16)	1.28
Basic shares outstanding	26,908,294	26,518,139	26,761,994	26,364,511

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 Adjusted EBITDA

Net long-term indebtedness to adjusted 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 adjusted EBITDA.

FORWARD-LOOKING INFORMATION

Certain information contained in this MD&A may constitute forward-looking information. All statements, other than statements of historical fact, may be forward-looking information. This information relates to future events or our future performance and includes financial outlook or future-oriented financial information. Any financial outlook or future oriented financial information in the MD&A has been approved by management of Stuart Olson. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. 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 2017;
- 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;
- Our outlook on the business generally and by business group, including, without limitation, those statements in the section entitled "Outlook" relating to backlog execution, project mix and timing, earnings visibility, meaningfully higher revenue in 2017 compared to 2016, higher overall adjusted EBITDA and adjusted EBITDA margins for 2017, increases in Industrial Group and Buildings Group revenue, adjusted EBITDA and adjusted EBITDA margin, similar Commercial Systems Group revenue and higher adjusted EBITDA and adjusted EBITDA margin in 2017 as compared to 2016;
- 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;
- Our expectation that restructuring and cost cutting initiatives will deliver permanent expense reductions going forward;
- Our plans to assess and, if necessary, adjust our cost structure against the activity of the business in 2017;
- Our 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 changes in oil prices; 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 continuation of challenging market conditions in Alberta;
- An increased percentage of our Industrial Group revenue coming from lower-risk cost-reimbursable MRO projects;
- The ability of counterparties with whom we invest cash and equivalents to meet their obligations;
- The impact of competition on our businesses;
- The global demand for oil and natural gas, its impact on commodity prices and its related effect on capital investment projects in Western Canada; and
- Government policies.

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

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

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

[Additional Information](#)

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

MANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

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

(Signed) *"David LeMay"*

David LeMay, MBA
President and Chief Executive Officer

(Signed) *"Daryl E. Sands"*

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

March 7, 2017



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Calgary, AB T2P 0R8
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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, 2016 and 2015, and the consolidated statements of (loss) earnings and comprehensive (loss) earnings, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, 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, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "Deloitte LLP"

Chartered Professional Accountants
March 7, 2017
Calgary, Alberta

STUART OLSON INC.
Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Earnings

For the years ended December 31, 2016 and 2015

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

	Note	December 31, 2016	December 31, 2015
Contract revenue	8	\$ 909,622	\$ 1,151,416
Contract costs		821,186	1,029,679
Contract income		88,436	121,737
Other income		852	863
Finance income	9	69	514
Administrative costs		(86,541)	(94,435)
Finance costs	9	(8,635)	(12,638)
(Loss) earnings before tax		(5,819)	16,041
Income tax (expense) recovery			
Current income tax		(10,773)	(7,749)
Deferred income tax		11,738	2,903
	12	965	(4,846)
Net (loss) earnings		(4,854)	11,195
Other comprehensive earnings			
Items that will not be reclassified to net (loss) earnings			
Defined benefit plan actuarial gain	13	889	363
Deferred tax expense on other comprehensive earnings	12	(238)	(97)
		651	266
Total comprehensive (loss) earnings		\$ (4,203)	\$ 11,461
(Loss) earnings per share:			
Basic (loss) earnings per share	14	\$ (0.18)	\$ 0.42
Diluted (loss) earnings per share	14	\$ (0.18)	\$ 0.39
Weighted average common shares:			
Basic	14	26,761,994	26,364,511
Diluted	14	26,761,994	41,261,341

See accompanying notes to the consolidated financial statements.

STUART OLSON INC.
Consolidated Statements of Financial Position
 As at December 31, 2016 and December 31, 2015
 (in thousands of Canadian dollars)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	15	\$ 31,471	\$ 33,667
Trade and other receivables	16	213,870	215,937
Inventory		999	1,638
Prepaid expenses		6,526	3,263
Costs in excess of billings	17	34,792	58,988
Income taxes recoverable		1,975	6,264
Current portion of long-term receivable		-	30
		289,633	319,787
Restricted cash			
Service provider deposit	15	-	4,172
Long-term receivable and prepaid expenses	18	6,365	6,799
Deferred tax asset	12	1,730	1,944
Property and equipment	12	25,410	24,085
Goodwill	19	18,934	22,281
Intangible assets	20	214,024	214,024
	21	46,079	53,708
		\$ 602,175	\$ 646,800
LIABILITIES			
Current liabilities			
Trade and other payables	22	\$ 165,997	\$ 178,373
Contract advances and unearned income	17	70,177	59,698
Current portion of provisions	23	5,423	7,705
Income taxes payable		5,391	7,278
Current portion of long-term debt	24	1,213	2,369
		248,201	255,423
Employee benefits	13(b)	2,735	4,680
Provisions	23	4,316	5,670
Long-term debt	24	32,772	46,565
Convertible debentures	25	74,270	72,529
Deferred tax liability	12	20,607	30,782
Share-based payments	26(d)	5,598	4,652
Other liabilities		2,902	1,517
		391,401	421,818
EQUITY			
Share capital	27(a)	142,687	140,457
Convertible debentures	25	4,589	4,589
Share-based payment reserve	26(a)	10,793	10,176
Contributed surplus		12,228	12,228
Retained earnings		40,477	57,532
		210,774	224,982
		\$ 602,175	\$ 646,800

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

(Signed) "Albrecht W.A. Bellstedt"

Albrecht W.A. Bellstedt
 Chairperson

(Signed) "Rod Graham"

Rod Graham
 Director

STUART OLSON INC.
Consolidated Statements of Changes in Equity
 For the years ended December 31, 2016 and 2015
 (in thousands of Canadian dollars)

Note	Share Capital	Convertible Debentures	Share-Based Payment Reserve	Contributed Surplus	Retained Earnings	Total Equity
Balance at December 31, 2015	\$ 140,457	\$ 4,589	\$ 10,176	\$ 12,228	\$ 57,532	\$ 224,982
Net loss					(4,854)	(4,854)
Other comprehensive earnings:						
Defined benefit plan actuarial gain, net of tax					651	651
Total comprehensive loss					(4,203)	(4,203)
<i>Transactions recorded directly to equity</i>						
Share-based compensation expense under stock option plan	26(a)		617			617
Dividends	27(a,b)	2,230			(12,852)	(10,622)
Balance at December 31, 2016	\$ 142,687	\$ 4,589	\$ 10,793	\$ 12,228	\$ 40,477	\$ 210,774
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
<i>Transactions recorded directly to equity</i>						
Share-based compensation expense under stock option plan	26(a)		835			835
Common shares issued related to acquisition	5, 27(a)	6,631				6,631
Matured and settled convertible debentures	25		(7,100)	7,100		-
Dividends	27(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

See accompanying notes to the consolidated financial statements.

STUART OLSON INC.
Consolidated Statements of Cash Flow
 For the years ended December 31, 2016 and 2015
 (in thousands of Canadian dollars)

	Note	December 31, 2016	December 31, 2015
OPERATING ACTIVITIES			
Net (loss) earnings		\$ (4,854)	\$ 11,195
Gain on disposal of assets		(29)	(149)
Depreciation and amortization	10	16,516	20,304
Impairment loss on property and equipment	19	177	1,170
Impairment loss on intangible assets	5	-	4,000
Change in fair value of contingent consideration	5	-	(2,935)
Share-based compensation expense	26(e)	3,896	2,066
Defined benefit pension plan expense	13	1,508	1,445
Finance costs	9	8,635	12,638
Income tax (recovery) expense	12	(965)	4,846
Income tax recovery recorded in indirect costs		(467)	(1,023)
Change in long-term receivable and prepaid expenses		139	(1,619)
Change in provisions	23	(3,636)	5,846
Change in other long-term liabilities		1,385	1,517
Change in non-cash working capital balances	28	22,435	23,995
Cash generated in operating activities		44,740	83,296
Payment of share-based payment liability		(3,073)	(1,892)
Contributions to defined benefit pension plan	13	(2,564)	(2,743)
Interest paid		(6,390)	(8,994)
Income taxes paid		(7,905)	(7,501)
Net cash generated in operating activities		24,808	62,166
INVESTING ACTIVITIES			
Acquisition of Studon	5	-	(62,335)
Change in long-term receivable		105	40
Proceeds on disposal of assets		884	1,141
Additions to intangible assets	21	(2,289)	(920)
Additions to property and equipment	19	(4,267)	(3,600)
Net cash used in investing activities		(5,567)	(65,674)
FINANCING ACTIVITIES			
Change in service provider deposit	18	434	(1,250)
Proceeds of long-term debt	24	341,500	214,000
Repayment of long-term debt	24	(356,968)	(178,876)
Repayment of 2010 convertible debentures	25	-	(86,250)
Dividend paid	27(b)	(10,575)	(10,390)
Net cash used in financing activities		(25,609)	(62,766)
Decrease in cash and cash equivalents during the year		(6,368)	(66,274)
Cash and cash equivalents, beginning of the year		37,839	104,113
Cash and cash equivalents, end of the year	15	\$ 31,471	\$ 37,839

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(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 public and private 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 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 7, 2017.

(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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

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 25); 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 29(b)); and
- Income taxes – judgments applied to determine the likelihood of future taxable profits that will be sufficient to permit the recovery of deferred income tax assets (Note 12); judgments exercised in the assessment of continually changing tax interpretations, regulations, and legislations.

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

- Revenue recognition – estimates used to determine percentage of completion for construction contracts, specifically related to estimated costs to complete included in the various construction projects (Note 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 17);
- Estimates used to determine allowance for doubtful accounts (Note 16 and 29(c)(i));
- Measurement of defined benefit pension obligations (Note 13);
- Property and equipment – estimates related to the useful lives and residual values of assets (Note 19);
- Estimates in impairment of property and equipment, goodwill and intangible assets (Note 19, 20 and 21);
- Provisions – estimates associated with amounts and timing (Note 23);
- Assumptions used in share-based payment arrangements (Note 26); and
- Assumptions and estimates surrounding the fair value of assets and liabilities recognized through business combinations (Note 5).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

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 assets or liabilities 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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

(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 arrangement, 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 for joint ventures and joint operations are 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.

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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 long-term debt and convertible debentures, 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.

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.

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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 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 discretionary employee cash bonus. A liability is recognized for the amount expected to be paid, under short-term cash bonuses or profit-sharing plans.

(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.

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The Corporation maintains two registered pension plans. Each plan includes a defined contribution (DC) provision and a non-contributory defined benefit (DB) provision. The DB provision covers salaried employees for two of the operating segments. Annual employer contributions to the DB provision of each plan, 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.

Unlike the DB provision, there is no obligation recorded for the DC provision. The DC contributions made by the Corporation are measured on an undiscounted basis and are expensed as the related services are provided.

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 DB 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 DB plans in other comprehensive earnings in the period in which they occur.

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

(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 the 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 26.

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(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 in 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 in the consolidated statements of financial position at fair value with both realized and unrealized changes in fair value recognized immediately in other income in the consolidated statements of (loss) earnings. As at December 31, 2016, 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 consolidated 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.

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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, 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.

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(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	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.

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(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 consolidated 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 net carrying amount of property and equipment and are recognized within other income in profit or loss.

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

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 4 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.

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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.

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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 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 (loss) earnings, comprehensive (loss) earnings and cash flows, and comparative figures are restated.

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(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.

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 costs

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 required in order to resolve a subcontractor default issue.

(v) Onerous contracts

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.

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(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 consolidated 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, 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 and retained earnings

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

(v) Other equity

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

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4. STANDARDS AND INTERPRETATIONS 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 by applying the following five steps: (i) Identify the contract with a customer; (ii) Identify the performance obligations in the contract; (iii) Determine the transaction price; (iv) Allocate the transaction price to the performance obligations in the contract; (v) Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is required to retrospectively apply IFRS 15 to all contracts that are not complete on the date of initial application and has the option to adopt using either:

- Full retrospective approach – restate all prior periods presented and recognize the cumulative effect of initial application of IFRS 15 to the opening balance of equity at the beginning of the earliest period presented; or
- Modified retrospective approach – retain prior period figures as reported under the previous standards and recognize the cumulative effect of initial application of IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application.

The Corporation does not anticipate the adoption of this standard to have a material impact in the classification and timing of revenue recognition, the measurement of contract costs, and the recognition of contract assets (cost in excess of billings) and contract liabilities (contract advances and unearned revenue). The Corporation believes the most significant impact relates to the level of additional disclosures required under the new standard, which include:

- Disaggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Corporation is still evaluating the appropriate categories for this requirement but expects that the information may be presented differently from what is currently required under IFRS 8 – *Operating Segments* (Note 6). Disaggregation by contract type (construction management, cost-plus, design-build or tendered/hard-bid) or by type of customer (public, private or industrial) may be appropriate.
- Transaction price, including estimates of variable consideration resulting from penalties, claims or incentives, allocated to the remaining performance obligations that are unsatisfied at the end of the reporting period and the timing of when the Corporation expects to recognize these as revenue. For construction management and tendered/hard-bid contracts, the Corporation would disclose its most recent estimate of the total transaction price based on the value stated in the original contract, adjusted for any contract modifications. For cost-plus contracts (time-and-materials), the Corporation would be required to disclose the transaction price to the extent that it can reasonably estimate the amount of fixed and variable consideration it has secured from these contracts as at the end of each reporting period.
- Enhanced continuities and detailed explanations to describe the relationship between significant changes in the contract asset and contract liability balances and the satisfaction of performance obligations during each reporting period.

The Corporation is evaluating the necessary changes to its systems, processes and controls to ensure system readiness to comply with the extensive disclosure requirements.

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(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 does not expect the impact of this standard to be material to 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 onto the consolidated statements of financial position 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. While the Corporation continues to assess all potential impacts and transition provisions of this standard, it believes that the most significant impact will relate to the accounting for operating leases associated with yard space, office space, vehicle and construction equipment. At this time, a quantitative estimate of the effect of the new standard has not been determined, but the Corporation anticipates a material impact to the statement of financial position due to the recognition of the present value of unavoidable future lease payments as lease assets and lease liabilities. The measurement of the total lease expense over the term of the lease is unaffected by the new standard, however, the required presentation on the consolidated statements of earnings will result in lease expenses being presented as amortization of leased assets and finance costs instead of being fully recognized as administrative costs.

5. ACQUISITION

The Corporation did not acquire any businesses in 2016.

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 was 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 three years of \$2,935.

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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) 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.

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6. SEGMENTS

The Corporation operates as a construction and maintenance services provider. 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. 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 costs 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). The Industrial Group offers services to clients in a wide range of industrial sectors including oil and gas, petrochemical, refining, water and waste water, mining, pulp and paper and power generation. 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, 2016, the Corporation had revenue of \$97,982 from one significant customer of the Buildings Group (2015 – \$163,167).

Notes to the Consolidated Financial Statements

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For the year ended December 31, 2016	Industrial Group	Buildings Group	Commercial Systems Group	Corporate Group	Intersegment Eliminations	Total
Contract revenue	\$ 296,416	\$ 439,168	\$ 198,759	\$ -	\$ (24,721)	\$ 909,622
Adjusted EBITDA ^{(1) (2)}	13,958	17,329	12,134	(11,969)	(3,945)	27,507
Finance income (Note 9)	(10)	(21)	-	(38)	-	(69)
Finance costs (Note 9)	131	-	18	8,486	-	8,635
Depreciation and amortization (Note 10)	5,792	1,752	1,465	7,293	214	16,516
Impairment loss on property and equipment (Note 19)	-	177	-	-	-	177
Restructuring costs ⁽³⁾	2,299	4,158	1,370	269	-	8,096
(Gain) loss on sale of assets	(33)	19	(36)	21	-	(29)
Earnings (loss) before tax	\$ 5,779	\$ 11,244	\$ 9,317	\$ (28,000)	\$ (4,159)	\$ (5,819)
Income tax recovery						965
Net loss						\$ (4,854)
Goodwill and intangible assets	\$ 54,967	\$ 120,508	\$ 68,557	\$ 16,071	\$ -	\$ 260,103
Capital and intangible expenditures	\$ 729	\$ 482	\$ 2,710	\$ 2,651	\$ -	\$ 6,572
Total assets	\$ 188,942	\$ 316,510	\$ 126,995	\$ 321,008	\$ (351,280)	\$ 602,175
Total liabilities	\$ 41,745	\$ 197,873	\$ 39,606	\$ 129,522	\$ (17,345)	\$ 391,401

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
Adjusted EBITDA ^{(1) (2)}	29,934	17,451	19,388	(19,327)	3,740	51,186
Finance income (Note 9)	(45)	(267)	-	(202)	-	(514)
Finance costs (Note 9)	269	1	-	12,368	-	12,638
Depreciation and amortization (Note 10)	8,751	2,461	1,737	7,144	211	20,304
Impairment loss on property and equipment (Note 19)	-	1,170	-	-	-	1,170
Impairment loss on intangible assets ⁽⁴⁾ (Note 5)	4,000	-	-	-	-	4,000
Recovery relating to investing activities ⁽⁴⁾ (Note 5)	(2,935)	-	-	-	-	(2,935)
Restructuring costs ⁽³⁾	-	631	-	-	-	631
(Gain) loss on sale of assets	(144)	30	(35)	-	-	(149)
Earnings (loss) before tax	\$ 20,038	\$ 13,425	\$ 17,686	\$ (38,637)	\$ 3,529	\$ 16,041
Income tax expense						(4,846)
Net earnings						\$ 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

⁽¹⁾ While adjusted 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 adjusted EBITDA differently.

⁽²⁾ During the year ended December 31, 2016, the use of adjusted EBITDA was adopted and certain comparative amounts have been restated. The Corporation defines adjusted EBITDA as net earnings/loss from continuing operations before finance income, finance costs, income taxes, capital asset depreciation and amortization, impairment charges, restructuring costs, costs or recoveries relating to investing activities and gains/losses on assets, liabilities and investment dispositions.

⁽³⁾ Refer to Note 23 for more information on restructuring costs.

⁽⁴⁾ During the year ended December 31, 2015, adjustments were made to the Studon acquisition purchase price allocation to reflect new information obtained by management with respect to facts and circumstances that existed as of the acquisition date. Due to the change in economic conditions subsequent to the acquisition, management assessed and reduced its estimate of the contingent consideration payable by \$2,935 and recognized an impairment loss of \$4,000 with respect to specific intangible assets acquired.

Notes to the Consolidated Financial Statements

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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%
Stuart Olson/Nunavut Ltd.	Industrial Construction	Nunavut	40%

During the year ended December 31, 2016, the KDM-SOD Joint Venture Inc. joint operation was dissolved.

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

	December 31, 2016	December 31, 2015
Current assets	\$ 10	\$ 2,939
Current liabilities	636	405
Contract costs and expenses	\$ 322	\$ 100
Cash flow (used) generated in operating activities	\$ (86)	\$ 360

8. REVENUE

	December 31, 2016	December 31, 2015
Construction contract revenue	\$ 746,688	\$ 968,832
Service contract revenue	162,847	181,580
Sale of goods	87	1,004
Total revenue	\$ 909,622	\$ 1,151,416

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9. 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, 2016	December 31, 2015
Finance income on cash and cash equivalents	\$ 58	\$ 442
Finance income on loans and receivables	11	72
Finance income	\$ 69	\$ 514
Finance costs on revolving credit facility	\$ 1,410	\$ 1,301
Other finance costs	150	275
Amortization of deferred financing fees on revolving credit facility	504	625
Finance costs on convertible debentures	4,830	7,418
Accretion on convertible debentures	1,119	2,122
Amortization of deferred financing fees on convertible debentures	622	897
Finance costs	\$ 8,635	\$ 12,638

10. DEPRECIATION AND AMORTIZATION

	December 31, 2016	December 31, 2015
Depreciation of property and equipment	\$ 6,686	\$ 8,844
Amortization of intangible assets	9,830	11,460
Total depreciation and amortization expense	\$ 16,516	\$ 20,304

Of the depreciation of property and equipment during the year ended December 31, 2016, \$3,146 (2015 – \$5,132) has been included in contract costs and the remainder in administrative costs in the consolidated statements of (loss) earnings. Amortization of intangible assets is included in administrative costs in the consolidated statements of (loss) earnings.

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11. PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

	December 31, 2016	December 31, 2015
Short-term employee benefits	\$ 294,033	\$ 421,479
Employee share purchase plan expenses	2,836	3,088
Employee retirement matching contributions	3,043	3,248
Defined benefit and defined contribution pension plan expense	1,915	2,168
Equity-settled share-based payment transactions	617	835
Cash-settled share-based payment transactions	2,442	1,173
Total personnel expenses and employee benefits	\$ 304,886	\$ 431,991

For the year ended December 31, 2016, personnel expenses and employee benefits of \$264,137 were included in contract costs (2015 – \$385,102) and \$40,749 in administrative costs (2015 – \$47,481). 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, 2016	December 31, 2015
Short-term benefits	\$ 2,173	\$ 3,558
Share-based payments ⁽¹⁾	1,325	817
	\$ 3,498	\$ 4,375

⁽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).

12. INCOME TAXES

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

	December 31, 2016	December 31, 2015
Current income tax expense		
Current year	\$ (10,542)	\$ (8,065)
Adjustment relating to prior years	(231)	316
	(10,773)	(7,749)
Deferred income tax recovery (expense)		
Origination and reversal of temporary differences	11,658	4,261
Impact of changes in tax rates	5	(1,004)
Adjustment relating to prior years	75	(354)
	11,738	2,903
Income tax recovery (expense)	\$ 965	\$ (4,846)

Notes to the Consolidated Financial Statements

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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, 2016	December 31, 2015
Net (loss) earnings before tax	\$ (5,819)	\$ 16,041
Income tax recovery (expense) at statutory rate of 26.9% (2015 – 26.1%)	1,565	(4,187)
Statutory and other rate differences	5	(1,004)
Non-deductible expenses	(404)	(459)
Non-taxable accounting income	59	859
Other	(260)	(55)
Income tax recovery (expense)	\$ 965	\$ (4,846)

The Corporation's statutory tax rate of 26.9% in 2016 (2015 – 26.1%) is the combined Canadian federal and provincial tax rates in the jurisdictions in which the Corporation operates. The increase in the statutory tax rate for the year ended December 31, 2016 is due primarily to the corporate tax rate increase in Alberta.

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

	December 31, 2016	December 31, 2015
Deferred tax assets		
Tax loss carry forwards	\$ 18,487	\$ 19,234
Equipment and other assets	1,189	1,017
Intangible assets	29	27
Pension and other compensation	(33)	395
Unbilled work-in-progress and holdback receivables	3,197	(387)
Provisions	2,221	3,189
Other	320	610
	25,410	24,085
Deferred tax liabilities		
Tax loss carry forwards	589	589
Equipment and other assets	652	(81)
Intangible assets	(11,984)	(14,051)
Pension and other compensation	2,663	2,831
Unrecognized deductible temporary differences	(589)	(589)
Unbilled work-in-progress and holdback receivables	(10,825)	(18,488)
Provisions	282	401
Other	(1,395)	(1,394)
	(20,607)	(30,782)
Net deferred income tax liability	\$ 4,803	\$ (6,697)

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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 \$1,180 (2015 – \$1,179) 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:

2016	Asset (liability) January 1, 2016	Recovery (expense) recognized in profit or loss	Recovery (expense) recognized in OCI	Asset (liability) acquired in a business combination	Asset (liability) December 31, 2016
Tax loss carry forwards	\$ 19,823	\$ (747)	\$ -	\$ -	\$ 19,076
Equipment and other assets	936	905	-	-	1,841
Intangible assets	(14,024)	2,069	-	-	(11,955)
Pension and other compensation	3,226	(358)	(238)	-	2,630
Unrecognized deductible temporary differences	(589)	-	-	-	(589)
Unbilled work-in-progress and holdback receivables	(18,875)	11,247	-	-	(7,628)
Provisions	3,590	(1,087)	-	-	2,503
Other	(784)	(291)	-	-	(1,075)
	\$ (6,697)	\$ 11,738	\$ (238)	\$ -	\$ 4,803

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	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)

The Corporation has accumulated net capital losses for income tax purposes of \$21,511 (2015 – \$21,511) 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 \$70,092 (2015 – \$72,545), which expire as follows:

Expiration of accumulated non-capital losses:	
2026	\$ 199
2027	426
2028	225
2029	162
2030	966
2031	12,999
2032	5,977
2033	7,351
2034	34,975
2035	4,388
2036	2,424
	\$ 70,092

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13. EMPLOYEE BENEFITS

(a) Short-term employee benefits

Contributions made by the Corporation during the year ended December 31, 2016 to the company sponsored Employee Share Purchase Plan (ESPP) were \$2,836 (2015 – \$3,088) (Note 11).

(b) Post-employment benefits

Registered Retirement Savings Plan (RRSP)

Contributions made by the Corporation during the year ended December 31, 2016 to the company sponsored RRSP were \$3,043 (2015 – \$3,248) (Note 11).

Defined Contribution Pension Plans (DC)

The total expense recognized in the consolidated statements of (loss) earnings and comprehensive (loss) earnings during the year ended December 31, 2016 of \$465 (2015 – \$484) 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 provisions that cover salaried employees for two of the operating entities. Annual employer contributions to the DB provisions, determined by an independent actuary, meet minimum amounts required by provincial pension supervisory authorities. The benefits provided by the DB provisions 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, 2016	December 31, 2015
Wholly or partially funded defined benefit obligation	\$ 36,240	\$ 35,885
Fair value of plan assets	33,505	31,205
Recognized liability for defined benefit obligations	\$ 2,735	\$ 4,680

Fair market value of plan assets:

	December 31, 2016	December 31, 2015
Equity securities	\$ 24,188	\$ 23,564
Debt securities	9,193	7,498
Short-term	124	143
	\$ 33,505	\$ 31,205

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Reconciliation of amounts in the consolidated financial statements:

	December 31, 2016	December 31, 2015
Accrued benefit obligation		
Balance, beginning of the year	\$ 35,885	\$ 35,417
Employer current service cost	755	784
Employee contributions	89	98
Interest cost on the defined benefit obligation	1,442	1,390
Benefit payments	(2,321)	(1,347)
Actuarial (gain) loss due to experience adjustments	(266)	5
Actuarial loss (gain) due to changes in financial assumptions	656	(462)
Balance, end of the year	\$ 36,240	\$ 35,885

	December 31, 2016	December 31, 2015
Fair value of plan assets		
Balance, beginning of the year	\$ 31,205	\$ 29,076
Employer contributions	2,564	2,743
Employee contributions	89	98
Interest income on plan assets	1,261	1,161
Actuarial gain (loss) on plan assets, excluding interest income	1,279	(94)
Benefit payments	(2,321)	(1,347)
Administration costs	(572)	(432)
Balance, end of the year	\$ 33,505	\$ 31,205

	December 31, 2016	December 31, 2015
Net pension liability	\$ 2,735	\$ 4,680
Funded status - deficit	\$ 2,735	\$ 4,680

For the year ended December 31, 2016, an amount of \$1,508 (2015 – \$1,445) was recorded in administrative costs in net (loss) earnings, and a gain of \$889 (2015 – \$363), before tax, was recorded in other comprehensive earnings in relation to the DB plans. This gain relates to better than expected returns on the plan assets over the year and the impact of membership movements in one of the plans. The gain was slightly reduced by the impact of a decrease in the discount rate assumption, which gave rise to a loss on the DB obligation.

Actuarial assumptions:

	December 31, 2016	December 31, 2015
Discount rate on net benefit obligations	3.8%	4.0%
Rate of compensation increase	3.0%	3.5%
Inflation rate	2.0%	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 \$4,968 (2015 – \$5,106).

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14. EARNINGS PER SHARE

(a) Basic (loss) earnings per share

	December 31, 2016	December 31, 2015
Net (loss) earnings - basic	\$ (4,854)	\$ 11,195
Issued common shares, beginning of the year	26,532,482	25,054,310
Effect of shares issued related to DRIP	229,512	222,231
Effect of shares issued related to acquisition	-	1,087,970
Weighted average number of common shares for the year - basic	26,761,994	26,364,511
Basic (loss) earnings per share	\$ (0.18)	\$ 0.42

(b) Diluted (loss) earnings per share

	December 31, 2016	December 31, 2015
Net (loss) earnings - basic	\$ (4,854)	\$ 11,195
Interest, accretion and amortization of deferred financing fees, net of tax	-	4,755
Net (loss) earnings - diluted	\$ (4,854)	\$ 15,950
Weighted average number of common shares - basic	26,761,994	26,364,511
Incremental shares - stock options	-	4,591
Incremental shares - convertible debentures	-	14,892,239
Weighted average number of common shares for the year - diluted	26,761,994	41,261,341
Diluted (loss) earnings per share	\$ (0.18)	\$ 0.39

For the year ended December 31, 2016, the number of stock options excluded from the diluted weighted average number of common shares calculation was 1,995,134, as their effect would have been anti-dilutive. There were no incremental shares related to convertible debentures included in the diluted weighted average number of common shares calculation, as the impact of potential common shares are considered anti-dilutive when the Corporation is in a net loss position. As such, the diluted weighted average number of common shares and resulting diluted loss per share are the same amounts as calculated under basic loss per share.

For the year ended December 31, 2015, the number of stock options excluded from the diluted weighted average number of common shares calculation was 1,361,363.

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15. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance is comprised entirely of cash. Included in the cash and cash equivalents balance as at December 31, 2016, is \$10 (2015 – \$2,933) held in the bank accounts of joint operations and \$1,737 of restricted cash held in trust (2015 – \$4,172 of restricted cash classified as a non-current asset).

16. TRADE AND OTHER RECEIVABLES

	December 31, 2016	December 31, 2015
Trade receivables	\$ 138,894	\$ 148,129
Allowance for doubtful accounts (Note 29)	(1,013)	(2,558)
Net trade receivables	137,881	145,571
Construction holdbacks, due within one business cycle	65,761	66,472
Other receivables	10,228	3,894
	\$ 213,870	\$ 215,937

The average credit period is 42 days for maintenance contracts and 63 days for significant construction contracts.

At December 31, 2016, holdbacks of \$65,761 (2015 – \$66,472) 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.

17. CONSTRUCTION AND NON-CONSTRUCTION CONTRACTS

Contracts in progress:

	December 31, 2016	December 31, 2015
Construction costs incurred plus recognized profits less recognized losses to date	\$ 2,822,644	\$ 4,277,440
Less: progress billings	(2,862,158)	(4,285,360)
Net contract advances and unearned income on construction contracts	(39,514)	(7,920)
Non-construction costs incurred plus recognized profits less recognized losses to date	\$ 187,701	\$ 276,184
Less: progress billings	(183,572)	(268,974)
Net costs in excess of billings on non-construction contracts	4,129	7,210
Total net contract position	\$ (35,385)	\$ (710)

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Recognized and included in the consolidated statements of financial position:

	December 31, 2016	December 31, 2015
Costs in excess of billings - Construction contracts	\$ 29,039	\$ 51,049
Costs in excess of billings - Non-construction contracts	5,753	7,939
Total costs in excess of billings	34,792	58,988
Contract advances and unearned income - Construction contracts	\$ (68,553)	\$ (58,969)
Contract advances and unearned income - Non-construction contracts	(1,624)	(729)
Total contract advances and unearned income	(70,177)	(59,698)
Total net contract position	\$ (35,385)	\$ (710)

At December 31, 2016, holdbacks for contract work amounted to \$65,761 (2015 – \$66,472).

18. 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 \$2,500 (2015 – \$nil), to be received in the next 12 months. The remaining portion of \$6,365 (2015 – \$6,799) is classified as non-current in the consolidated statements of financial position as at December 31, 2016. The total funds held by Zurich as at December 31, 2016 amounted to \$8,865 (2015 – \$6,799).

19. PROPERTY AND EQUIPMENT

Included in construction and automotive equipment as at December 31, 2016 is \$3,212 (2015 – \$5,339) of assets relating to finance leases and \$1,746 (2015 – \$1,498) of accumulated depreciation, for a net carrying value of \$1,466 (2015 – \$3,841).

Assets with a carrying value as at December 31, 2016 of \$1,466 (2015 – \$3,841) are pledged as security for the finance lease obligations disclosed in Note 24 (b).

During the year ended December 31, 2016, the Corporation recorded an impairment loss of \$177 (2015 – \$1,170) related to Leasehold Improvements and Office Furniture due to branch office subleasing activity in Western Canada.

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	Land and Improvements	Buildings and Improvements	Leasehold Improvements	Construction and Automotive Equipment	Computer Hardware	Office Furniture and Equipment	Assets Under Construction	Total
2016								
Cost								
Balance at December 31, 2015	\$ 566	\$ 3,041	\$ 16,303	\$ 32,851	\$ 5,597	\$ 5,453	\$ -	\$ 63,811
Additions, including finance leases	-	-	2,675	765	375	468	-	4,283
Disposals	-	-	(1,535)	(6,757)	(741)	(963)	-	(9,996)
Reclassifications and transfers	-	-	(78)	(67)	(65)	(16)	-	(226)
Balance at December 31, 2016	\$ 566	\$ 3,041	\$ 17,365	\$ 26,792	\$ 5,166	\$ 4,942	\$ -	\$ 57,872
Accumulated depreciation and impairment losses								
Balance at December 31, 2015	\$ -	\$ 1,491	\$ 8,636	\$ 22,626	\$ 4,871	\$ 3,906	\$ -	\$ 41,530
Depreciation expense	-	4	1,584	3,684	403	1,011	-	6,686
Disposals	-	-	(1,314)	(6,184)	(649)	(1,083)	-	(9,230)
Impairment losses recognized in the year	-	-	160	-	-	17	-	177
Reclassifications and transfers	-	-	(78)	(68)	(65)	(14)	-	(225)
Balance at December 31, 2016	\$ -	\$ 1,495	\$ 8,988	\$ 20,058	\$ 4,560	\$ 3,837	\$ -	\$ 38,938
Carrying amounts at December 31, 2016	\$ 566	\$ 1,546	\$ 8,377	\$ 6,734	\$ 606	\$ 1,105	\$ -	\$ 18,934

	Land and Improvements	Buildings and Improvements	Leasehold Improvements	Construction and Automotive Equipment	Computer Hardware	Office Furniture and Equipment	Assets Under Construction	Total
2015								
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

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20. GOODWILL

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

	December 31, 2016	December 31, 2015
Industrial Group	\$ 42,323	\$ 42,323
Buildings Group	114,078	114,078
Commercial Systems Group	57,623	57,623
	\$ 214,024	\$ 214,024

Goodwill arose as a result of multiple past acquisitions. The Industrial Group's goodwill stems from the Laird Electric Inc. acquisition in 2003 and the Studon acquisition in 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 2016, 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 December 2016 update of the Corporation's 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 time frame. These cash flows require assumptions to be made regarding the likelihood of projects progressing and the future economics of those projects.

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The terminal value was calculated using an after-tax discount rate of 11% (2015 – 11%) and a steady annual growth rate of 2% (2015 – 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.

21. INTANGIBLE ASSETS

2016	ERP Assets	Backlog and Agency Contracts	Customer Relationships and Tradename	Computer Software	Assets under Construction	Total
Cost						
Balance at December 31, 2015	\$ 26,157	\$ 25,400	\$ 68,093	\$ 5,076	\$ -	\$ 124,726
Additions - externally acquired	1,134	-	-	394	761	2,289
Disposals	(179)	-	-	(81)	-	(260)
Balance at December 31, 2016	\$ 27,112	\$ 25,400	\$ 68,093	\$ 5,389	\$ 761	\$ 126,755
Accumulated amortization						
Balance at December 31, 2015	\$ 9,689	\$ 22,920	\$ 34,086	\$ 4,323	\$ -	\$ 71,018
Amortization expense	2,427	857	6,134	412	-	9,830
Disposals	(108)	-	-	(64)	-	(172)
Balance at December 31, 2016	\$ 12,008	\$ 23,777	\$ 40,220	\$ 4,671	\$ -	\$ 80,676
Carrying amounts at December 31, 2016	\$ 15,104	\$ 1,623	\$ 27,873	\$ 718	\$ 761	\$ 46,079

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

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22. TRADE AND OTHER PAYABLES

	December 31, 2016	December 31, 2015
Trade payables	\$ 93,563	\$ 88,517
Holdbacks and accrued liabilities	57,973	68,220
Short-term employee benefits	7,037	15,220
Dividend payable	3,231	3,184
Other	4,193	3,232
	\$ 165,997	\$ 178,373

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 29 - Financial Instruments.

23. 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 Contracts	Deferred Contingent Consideration	Total
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
Balance at December 31, 2015	\$ 6,147	\$ 26	\$ 1,607	\$ 4,581	\$ 1,014	\$ -	\$ 13,375
Provisions made during the year	1,406	1,008	518	2,813	4,024	-	9,769
Provisions used during the year	(114)	(726)	(873)	(7,001)	(564)	-	(9,278)
Provisions reversed in the year	(3,948)	-	(316)	-	-	-	(4,264)
Unwinding of discount	-	-	-	-	137	-	137
Balance at December 31, 2016	\$ 3,491	\$ 308	\$ 936	\$ 393	\$ 4,611	\$ -	\$ 9,739

During the year ended December 31, 2016, the Corporation undertook restructuring initiatives to improve operational efficiencies in a challenging economic environment. These restructuring initiatives included the realignment of its operating structure, as well as the termination and consolidation of leased office spaces. The restructuring of leased office space resulted in the recognition of onerous lease contracts that represent the costs required to fulfill the contract, net of management's best estimate of any amounts that the Corporation will recover based on ongoing sublease efforts.

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

	December 31, 2016	December 31, 2015
Current portion of provisions	\$ 5,423	\$ 7,705
Long-term provisions	4,316	5,670
Total provisions	\$ 9,739	\$ 13,375

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

	Warranties		Restructuring Costs		Claims and Disputes		Subcontractor Default		Onerous Contract		Total
2017	\$	3,491	\$	308	\$	534	\$	393	\$	1,004	\$ 5,730
2018		-		-		201		-		981	1,182
2019		-		-		201		-		812	1,013
2020		-		-		-		-		684	684
2021		-		-		-		-		677	677
Thereafter		-		-		-		-		3,422	3,422
	\$	3,491	\$	308	\$	936	\$	393	\$	7,580	\$ 12,708

24. LONG-TERM DEBT

	December 31, 2016	December 31, 2015
Current portion of long-term debt		
Finance lease obligations	\$ 1,213	\$ 2,369
	\$ 1,213	\$ 2,369
Non-current		
Revolving credit facility	\$ 32,598	\$ 45,197
Finance lease obligations	174	1,368
	\$ 32,772	\$ 46,565

(a) Revolving credit facility

On July 13, 2016, the Corporation negotiated improved terms and conditions and a one year extension to its revolving credit facility (Revolver). The Revolver now consists of a \$150,000 (previously \$155,000) credit facility syndicated by six lenders from the existing facility and a \$25,000 (previously \$20,000) operating facility provided by one of the co-lead lenders. The combined Revolver maintains the Corporation's maximum available borrowing capacity of \$175,000. The maturity date of the Revolver has been extended to July 16, 2021 (previously July 16, 2020).

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The Revolver is subject to the financial covenants described below. On December 23, 2016, an amendment was made to the interest coverage ratio while the total debt to EBITDA ratio remained the same.

- 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 ratio shall not be less than 2.25:1.00 for fiscal quarters ending December 31, 2016, March 31, 2017 and June 30, 2017. For fiscal quarters ending September 30, 2017, December 31, 2017 and March 31, 2018, the interest coverage ratio shall not be less than 2.50:1.00. For fiscal quarters after March 31, 2018, the interest coverage ratio shall not be less than 3.00:1.00.
- 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 3.00:1.00, with a temporary increase to 3.25:1.00 for a period of two quarters following the completion of a material acquisition.

These covenants are measured each quarter on March 31, June 30, September 30 and December 31. The Corporation was in full compliance with its covenants as at December 31, 2016 and December 31, 2015.

The operating facility of \$25,000 allows the Corporation to enter into an overdraft position. At December 31, 2016, there was no drawdown on the operating facility.

During the 90 day period before each anniversary date, the Corporation may apply to 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, 2016 were \$1,914 (2015 – \$1,926). These finance costs represent the interest paid on the debt and amortization of the deferred financing charges of \$504 for the year ended December 31, 2016 (2015 – \$625) (Note 9).

(b) Finance lease obligations

For the year ended December 31, 2016, the Corporation held finance leases relating to automotive equipment that mature between January 2017 and July 2020, and bear interest at rates between 4.6% and 10.9%, with a weighted average effective interest rate on the contracts of 6.3% per annum (2015 – 6.2%). Finance lease obligations are secured by automotive equipment with a net book value of \$1,466 (2015 – \$3,841) and the lessors' title to the lease assets (Note 19). The Corporation has the option to purchase the equipment under lease at the conclusion of the lease agreements.

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	Future Minimum Lease Payments		Present Value of Minimum Lease Payments	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Not later than 1 year	\$ 1,255	\$ 2,517	\$ 1,213	\$ 2,369
More than 1 year but not later than 5 years	183	1,415	174	1,368
	\$ 1,438	\$ 3,932	\$ 1,387	\$ 3,737

	Interest	
	December 31, 2016	December 31, 2015
Not later than 1 year	\$ 42	\$ 148
More than 1 year but not later than 5 years	9	47
	\$ 51	\$ 195

25. CONVERTIBLE DEBENTURES

	2010 Convertible Debentures		2014 Convertible Debentures	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Debt component, beginning of the year	\$ -	\$ 84,828	\$ 72,529	\$ 70,932
Repayment	-	(86,250)	-	-
Accretion on convertible debentures	-	1,096	1,119	1,026
Amortization of deferred financing fees	-	326	622	571
Debt component, end of the year	\$ -	\$ -	\$ 74,270	\$ 72,529
Equity component, beginning of the year	\$ -	\$ 7,100	\$ 4,589	\$ 4,589
Transferred to contributed surplus	-	(7,100)	-	-
Equity component, end of the year	\$ -	\$ -	\$ 4,589	\$ 4,589

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.

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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.

26. SHARE-BASED PAYMENTS

(a) Stock options

Movement during the years:

	December 31, 2016		December 31, 2015	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of the year	1,715,118	\$ 10.33	1,682,042	\$ 11.95
Granted	563,498	5.80	430,085	5.82
Forfeited	(61,059)	11.42	(244,401)	8.10
Expired	(222,423)	18.12	(152,608)	19.09
Outstanding, end of the year	1,995,134	\$ 8.15	1,715,118	\$ 10.33

The options outstanding for the year ended December 31, 2016 have an exercise price in the range of \$5.77 to \$15.48 (2015 – \$5.77 to \$19.32) and lives of between 5 and 10 years (2015 – 5 and 10 years).

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

Option Series	Options		Exercise Price	Fair Value At Grant Date	Options Exercisable
	Outstanding	Expiry Date			
Issued on March 15, 2012	289,027	15-Mar-17	15.48	5.03	289,027
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	33,524
Issued on April 1, 2013	173,943	1-Apr-18	7.50	2.52	173,943
Issued on April 1, 2013	295,723	1-Apr-23	7.50	2.52	295,723
Issued on September 13, 2014	23,050	13-Sep-19	9.94	3.08	15,367
Issued on September 13, 2014	146,874	13-Sep-24	9.94	3.08	97,916
Issued on April 1, 2015	53,359	1-Apr-20	5.77	1.41	17,786
Issued on April 1, 2015	228,967	1-Apr-25	5.77	1.41	76,322
Issued on May 19, 2015	71,429	19-May-25	6.07	1.40	23,810
Issued on March 8, 2016	75,266	8-Mar-21	5.80	0.98	-
Issued on March 8, 2016	488,232	8-Mar-26	5.80	0.98	-
As at December 31, 2016	1,995,134				1,139,158

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 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%
Issued in 2016							
March 8, 2016	5.80	5.80	44.13%	10	8.21%	0.95%	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.

Notes to the Consolidated Financial Statements

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

	December 31, 2016	December 31, 2015
Balance, beginning of the year	\$ 10,176	\$ 9,341
Share-based compensation expense	617	835
Balance, end of the year	\$ 10,793	\$ 10,176

(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 BRSUs, RSUs and PSUs (collectively, the MTIPs) in cash within 20 business days after vesting. The original cost of 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 are recognized as a compensation expense in the period in which the changes occur.

Movement of units during the years:

	BRSUs	RSUs	PSUs
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)
Outstanding at December 31, 2015	198,910	672,219	720,822
Outstanding at December 31, 2015	198,910	672,219	720,822
Granted	-	279,594	298,700
Forfeited	(10,616)	(76,324)	(47,677)
Vested and paid	(136,209)	(130,890)	(254,553)
Outstanding at December 31, 2016	52,085	744,599	717,292

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The BRSUs issued on April 1, 2014 at a fair value at grant date of \$10.79 have a vesting date of April 1, 2017. The RSUs and PSUs issued on April 1, 2014, 2015 and 2016 at a fair value at grant date of \$10.79, \$5.73 and \$6.79, have a vesting date of April 1, 2017, 2018 and 2019, respectively.

In April 2016, 50% of the BRSUs issued on April 1, 2013 and 30% of the BRSUs issued on April 1, 2014 vested at a weighted average price of \$6.54. The PSUs issued on April 1, 2013 vested at a weighted average share price of \$6.00 on April 1, 2016 at a payout ratio of 62%. The RSUs issued on April 1, 2013 vested at a weighted average price of \$6.54.

(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 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:

	December 31, 2016	December 31, 2015
Outstanding, beginning of the year	472,573	433,248
Granted	150,949	163,251
Settled	(61,718)	(123,926)
Outstanding, end of the year	561,804	472,573

(d) Share-based payment liability

	December 31, 2016	December 31, 2015
Carrying amount of liabilities for cash-settled arrangements		
Current portion	\$ 1,431	\$ 2,070
Long-term portion	5,598	4,652
Total carrying amount	\$ 7,029	\$ 6,722
Total intrinsic value of liability for vested benefits	\$ 3,292	\$ 2,812

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 \$5,598 as at December 31, 2016 (2015 – \$4,652) 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, 2016.

Notes to the Consolidated Financial Statements

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

(e) Share-based compensation expense

	December 31, 2016	December 31, 2015
Share-based compensation expense on stock options	\$ 617	\$ 835
Effects of changes in fair value and accretion of MTIP grants	2,442	1,173
Effects of changes in fair value and grants for DSUs	837	58
	\$ 3,896	\$ 2,066

27. 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, 2016		December 31, 2015	
	Shares	Share Capital	Shares	Share Capital
Common Shares				
Issued, beginning of the year	26,532,482	\$ 140,457	25,054,310	\$ 131,724
DRIP	388,889	2,230	375,091	2,102
Issued during the year	-	-	1,103,081	6,631
Issued, end of the year	26,921,371	\$ 142,687	26,532,482	\$ 140,457

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 twenty third quarterly dividend of \$0.12 per share, which was paid on January 17, 2017 to shareholders of record on December 31, 2016.

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.

Notes to the Consolidated Financial Statements

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As at December 31, 2016, trade and other payables included \$3,231 (2015 – \$3,184) related to the dividend payable on January 17, 2017, of which \$553 (2015 – \$537) is to be reinvested in common shares under the DRIP and the remainder paid in cash.

	December 31, 2016		December 31, 2015	
	Per Share	Total	Per Share	Total
Dividend payable, beginning of the year	\$ 0.12	\$ 3,184	\$ 0.12	\$ 3,007
Total dividends declared during the year	0.48	12,852	0.48	12,668
Total dividends paid during the year ⁽¹⁾	(0.48)	(12,805)	(0.48)	(12,491)
Dividend payable, end of the year	\$ 0.12	\$ 3,231	\$ 0.12	\$ 3,184

⁽¹⁾ Includes DRIP non-cash payments totaling \$2,230 (December 31, 2015 - \$2,102) 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.

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

	December 31, 2016	December 31, 2015
Trade and other receivables	\$ 2,067	\$ 141,266
Inventory	639	(2)
Prepaid expenses	(3,263)	(235)
Costs in excess of billings	24,196	5,582
Trade and other payables	(11,683)	(90,246)
Contract advances and unearned income	10,479	(32,370)
	\$ 22,435	\$ 23,995

29. FINANCIAL INSTRUMENTS

(a) Carrying values

	December 31, 2016	December 31, 2015
<i>Financial assets:</i>		
Cash and cash equivalents, including restricted cash	\$ 31,471	\$ 37,839
Trade and other receivables	213,870	215,937
Service provider deposit	6,365	6,799
Long-term receivable, including current portion	250	355
<i>Financial liabilities:</i>		
Trade and other payables	\$ 165,997	\$ 178,373
Long-term debt, including current portion	33,985	48,934
Convertible debentures - debt component	74,270	72,529

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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(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 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 (loss) earnings and is net of any recoveries that were provided for in a prior period.

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

	December 31, 2016	December 31, 2015
Balance, beginning of the year	\$ 2,558	\$ 2,140
Impairment losses recognized on receivables	723	1,005
Amounts written off during the year as uncollectible	(849)	(587)
Amounts recovered during the year	(1,419)	-
Balance, end of the year	\$ 1,013	\$ 2,558

Trade receivables shown in 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, 2016	December 31, 2015
Current	\$ 78,018	\$ 67,647
1-60 days past due	42,253	48,810
61-90 days past due	4,608	4,224
More than 90 days past due	14,015	27,448
	\$ 138,894	\$ 148,129

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. As at December 31, 2016, the Corporation had \$14,015 of trade receivables (2015 – \$27,448) which were greater than 90 days past due with \$13,002 not provided for (2015 – \$24,890). Management is not concerned about 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 in 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, 2016	December 31, 2015
<i>Fixed rate instruments</i>		
Financial liabilities	\$ 74,270	\$ 72,529
<i>Variable rate instruments</i>		
Financial assets	\$ 31,471	\$ 37,839
Financial liabilities	\$ 33,985	\$ 48,934

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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

For the year ended December 31, 2016, a change of 100 basis points in interest rates would have increased or decreased equity and profit or loss by \$230 related to financial assets and by \$248 related to financial liabilities (2015 – \$280 and \$362, respectively).

(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, 2016, in respect of the financial obligations of the Corporation. Interest payments on the Revolver 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	\$ 165,997	\$ 165,997	\$ 165,997	\$ -	\$ -	\$ -
Provisions, including current portion	9,739	12,708	5,730	2,195	1,361	3,422
Convertible debentures (debt portion)	74,270	94,990	4,830	90,160	-	-
Long-term debt, including current portion	33,985	36,439	1,255	92	35,092	-
Operating lease commitments	-	59,290	8,705	14,371	14,370	21,844
	\$ 283,991	\$ 369,424	\$ 186,517	\$ 106,818	\$ 50,823	\$ 25,266

30. 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.

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 adjusted EBITDA. Adjusted EBITDA is described in further detail in Note 6.

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

	December 31, 2016	December 31, 2015
Long-term indebtedness:		
Long-term debt, principal amount ⁽¹⁾	\$ 36,387	\$ 51,237
Convertible debentures, principal amount ⁽²⁾	80,500	80,500
Total long-term indebtedness	116,887	131,737
Total equity	210,774	224,982
Total capitalization	\$ 327,661	\$ 356,719
Indebtedness to capitalization percentage	36%	37%

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

⁽²⁾ Includes the maturity value of the convertible debentures issued in 2014 (Note 25).

The Corporation targets a net long-term indebtedness to adjusted EBITDA ratio of 2.0 to 3.0 over a three to five-year planning horizon. At December 31, 2016, the net long-term indebtedness to adjusted EBITDA was 3.1 (2015 – 1.8), calculated on a last 12 month basis as follows:

	December 31, 2016	December 31, 2015
Total long-term indebtedness ⁽¹⁾	\$ 116,887	\$ 131,737
Less: Cash on hand ⁽²⁾	(31,471)	(37,839)
Net long-term indebtedness for the last 12 months	\$ 85,416	\$ 93,898
Net (loss) earnings	\$ (4,854)	\$ 11,195
Add:		
Finance income	(69)	(514)
Finance costs	8,635	12,638
Depreciation and amortization	16,516	20,304
Income tax (recovery) expense	(965)	4,846
Impairment loss on property and equipment	177	1,170
Impairment loss on intangible assets	-	4,000
Recovery relating to investing activities	-	(2,935)
Restructuring costs	8,096	631
Gain on sale of assets	(29)	(149)
Adjusted EBITDA for the last 12 months ⁽³⁾	\$ 27,507	\$ 51,186
Net long-term indebtedness to adjusted EBITDA ratio	3.1	1.8

⁽¹⁾ As per the calculation in the indebtedness to capitalization percentage.

⁽²⁾ Cash on hand includes restricted cash (Note 15).

⁽³⁾ While adjusted 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 adjusted EBITDA differently.

The Corporation monitors its capital requirements through a rolling forecast of operating results and the related financial position. 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 is subject to the covenants described in Note 24.

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31. PRINCIPAL SUBSIDIARIES

Details of the Corporation's principal operating subsidiaries at December 31, 2016 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%

32. 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.

During the year ended December 31, 2016, Don Sutherland, the former President of Studon, was no longer considered a related party. The Corporation incurred facility costs during the year ended December 31, 2015 of \$459 for the rental of buildings that were partially owned indirectly by Mr. Sutherland. No amounts were included in trade payables as at December 31, 2015.

During the year ended December 31, 2016, George Schneider, a former Director of the Corporation and owner of Schneider Investments Inc., was no longer considered a related party. The Corporation incurred facility costs during the year ended December 31, 2015 of \$324 for the rental of a building that was 50% owned by Schneider Investments Inc. No amounts were included in trade payables as at December 31, 2015.

33. 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, 2016	December 31, 2015
Not later than 1 year	\$ 8,705	\$ 8,226
Later than 1 year and not later than 5 years	28,741	28,716
Later than 5 years	21,844	24,472
	\$ 59,290	\$ 61,414

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Payments recognized as expense:

	December 31, 2016	December 31, 2015
Minimum lease payments	\$ 10,208	\$ 10,707
Sub-lease payments received	(1,594)	(1,239)
	\$ 8,614	\$ 9,468

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.

34. 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 \$235 (2015 – \$168), of which \$115 (2015 – \$56) 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.

Several parental guarantees have been issued in support of joint operations and significant projects being undertaken by the Corporation's operating segments.

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(c) Letters of credit

The Corporation has provided several letters of credit in the amount of \$3,136 in connection with various projects and joint arrangements (2015 – \$3,690), of which \$nil are financial letters of credit (2015 – \$nil).

35. EVENTS AFTER THE REPORTING PERIOD

On March 7, 2017, the Corporation's Board of Directors 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 13, 2017 to shareholders of record on March 31, 2017.

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

Arthur Atkinson, PQS
Chief Operating Officer
Buildings Group

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

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

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

Richard Stone, B.Comm., LL.B.
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)}

Chad Danard ^{(1) (2)}

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

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

David LeMay, MBA

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

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

⁽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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Email: info@stuartolson.com
Website: www.stuartolson.com

Auditors

Deloitte LLP
Calgary, 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
Suite 310, 606 – 4th Street SW
Calgary, Alberta T2P 1T1
Phone: (403) 233-2801
Fax: (403) 233-2857
Email: inquiries@valianttrust.com
Website: www.valianttrust.com
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