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2015 Annual Report - Management's Discussion and Analysis

March 1, 2016

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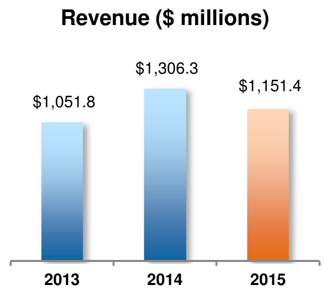
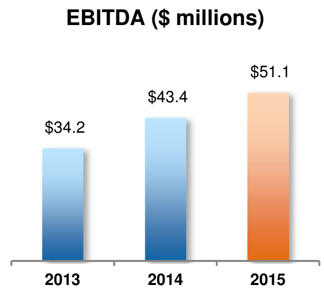
The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Stuart Olson Inc. ("Stuart Olson", the "Company", "we", "us", or "our") for the three and twelve months ended December 31, 2015, dated March 1, 2016, should be read in conjunction with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

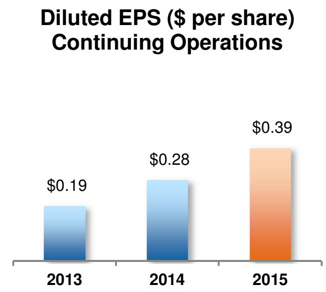
Certain measures in this MD&A do not have any standardized meaning as prescribed by IFRS and, therefore, are considered non-IFRS measures. These non-IFRS measures are commonly used in the construction industry, and by Stuart Olson management, as alternative methods for assessing operating results and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

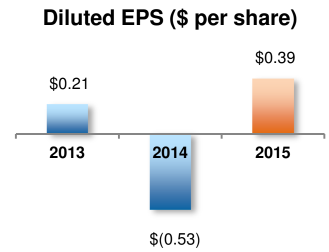
We encourage readers to read the section entitled "Forward-Looking Information" at the end of this document.

2015 OVERVIEW









2015 Financial Highlights

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

2015 Operational Highlights

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

OUTLOOK

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

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

Industrial Group Outlook

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

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

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

Buildings Group Outlook

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

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

Commercial Systems Group Outlook

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

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

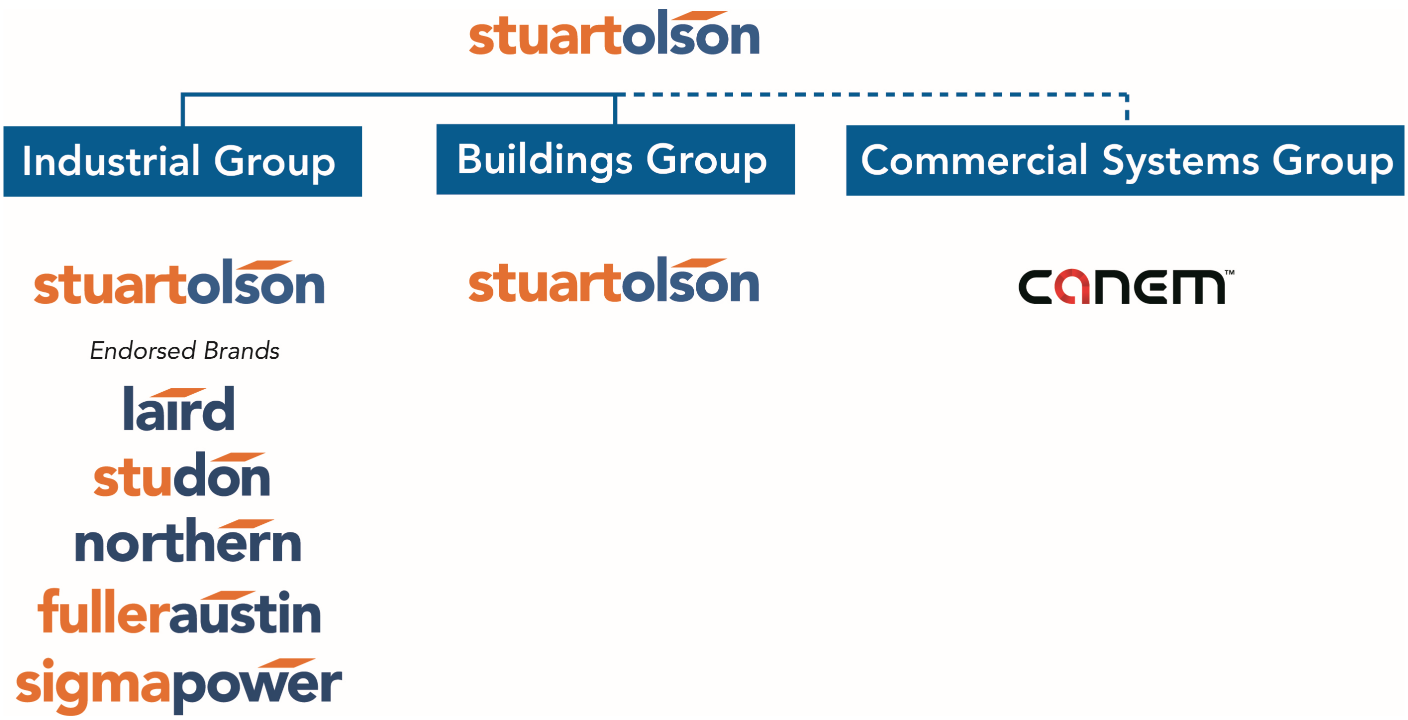
RISKS

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

ABOUT STUART OLSON INC.

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

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



Industrial Group

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

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

Buildings Group

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

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

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

Commercial Systems Group

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

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

ACQUISITION OF STUDON

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

RESULTS OF OPERATIONS

Consolidated Annual Results

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

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

Notes: (1) "Contract income margin", "EBITDA", "EBITDA margin", "backlog" and "working capital" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.
(2) The convertible debentures issued in 2010, and repaid June 30, 2015, were presented as a current liability of $84.8 million as at December 31, 2014.
(3) "EBITDA" for the year ended December 31, 2014 has been recalculated as a result of a change in definition in the year to exclude costs/recoveries from investing activities. Please refer to the "Non-IFRS Measures" section for further information.

Consolidated Annual Results

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

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

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

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

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

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

Consolidated Q4 Results

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

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

Consolidated Q4 Results

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

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

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

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

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

Consolidated Backlog

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

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

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

RESULTS OF OPERATIONS BY BUSINESS GROUP

Industrial Group Results

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

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

Three-Month Results

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

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

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

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

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

Twelve-Month Results

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

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

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

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

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

Backlog

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

Buildings Group Results

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

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

Three-Month Results

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

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

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

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

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

Twelve-Month Results

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

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

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

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

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

Backlog

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

Commercial Systems Group Results

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

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

Three-Month Results

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

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

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

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

Twelve-Month Results

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

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

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

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

Backlog

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

Corporate Group Results

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

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

Three-Month Results

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

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

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

Twelve-Month Results

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

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

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

Discontinued Operations

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

LIQUIDITY

Cash and Borrowing Capacity

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

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

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

Debt and Capital Structure

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

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

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

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

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

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

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

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

Revolver Amendments

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

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

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

Summary of Cash Flows

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

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

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

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

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

Adjusted Free Cash Flow

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

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

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

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

External Factors Impacting Liquidity

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

CAPITAL RESOURCES

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

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

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

Working Capital

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

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

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

Contractual Obligations

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

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

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

Share Data

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

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

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

DIVIDENDS

Declaration of Common Share Dividend

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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

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

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

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

QUARTERLY FINANCIAL INFORMATION

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

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

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

[2] Amounts have been restated as a result of the reclassification of Broda to discontinued operations. See the "Discontinued Operations" subsection of "Results of Operations by Business Group" of this MD&A and *Note 14* of our December 31, 2015 Audited Consolidated Financial Statements.

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

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

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

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

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

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

Convertible Debentures

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

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

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

Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less any liabilities assumed, based on their fair values. Goodwill is not amortized and is tested annually in the fourth quarter or more frequently if events or changes in circumstances indicate that an asset may be impaired. Goodwill arose during multiple past acquisitions. The Industrial Group's goodwill stems from the Laird Electric Inc. acquisition of 2003 and the Studon acquisition on January 6, 2015. Goodwill associated with the Buildings Group and Commercial Systems Group cash generating units (CGU) arose from the Seacliff acquisition in 2010. Additional goodwill was attributed to the Commercial Systems Group CGU through the McCaine acquisition in 2011. Goodwill recognized on all of these acquisitions was attributable mainly to revenue growth, future market development, the assembled workforce and the synergies achieved from the integration of the acquired company into existing construction, commercial and industrial services. During the fourth quarter of 2015, we performed our annual goodwill impairment test. The calculated Business Enterprise Value for each of the CGUs incorporated the financial projections set out in the respective CGU's strategic plans. The annual impairment review resulted in no impairment charge in the current year.

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

Key Impairment Assessment Assumptions

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

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

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

Sensitivity of Impairment Assessment Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

Income Taxes

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

Provisions for Warranty Work and Legal Contingencies

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

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

Assumptions Used in Share-Based Payment Arrangements

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

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

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

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

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

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

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

Accounts Receivable Collectability

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

Measurement of Defined Benefit Pension Obligations

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

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

CHANGES IN ACCOUNTING POLICIES

Future Changes in Accounting Standards

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

Controls & Procedures

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

Disclosure Controls & Procedures

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

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

Internal Controls over Financial Reporting

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

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

Material Changes to Internal Controls over Financial Reporting

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

NON-IFRS MEASURES

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

Contract Income Margin

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

Work-In-Hand

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

Backlog and Active Backlog

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

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

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

Book-to-Bill Ratio

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

Working Capital

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

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

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

EBITDA and EBT

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

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

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

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

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

EBITDA Margin

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

Adjusted Free Cash Flow

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

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

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

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

Long-term Indebtedness

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

Indebtedness to Capitalization

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

Net Long-Term Indebtedness to EBITDA

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

FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

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

Additional Information

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