Badger Daylighting Ltd.

Consolidated Financial Statements

For the year ended December 31, 2014

Independent Auditor's Report

To the Shareholders of Badger Daylighting Ltd.

We have audited the accompanying consolidated financial statements of Badger Daylighting Ltd., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Badger Daylighting Ltd. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Calgary, Canada
March 16, 2015

Chartered Accountants

BADGER DAYLIGHTING LTD.
Consolidated Statement of Financial Position
(Expressed in thousands of Canadian Dollars)

As at December 31	Notes	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	19,152	8,623
Trade and other receivables	8	111,964	92,115
Prepaid expenses		2,872	1,459
Inventories	9	4,400	3,300
Income taxes receivable		4,381	-
		142,769	105,497
Non-current Assets			
Property, plant and equipment	10	286,019	211,614
Goodwill and intangible assets	11	15,511	16,787
		301,530	228,401
Total Assets		444,299	333,898
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	12	30,440	23,657
Deferred unit plan liability	17	12,887	13,933
Income taxes payable		5,423	4,952
Dividends payable	14	1,111	1,111
		49,861	43,653
Non-current Liabilities			
Long-term debt	15	124,358	82,319
Deferred income tax	13	45,832	36,857
		170,190	119,176
Shareholders' Equity			
Shareholders' capital	1, 16	80,944	80,944
Contributed surplus	16	548	548
Accumulated other comprehensive income	16	16,700	3,291
Retained earnings		126,056	86,286
		224,248	171,069
Total Liabilities and Shareholders' Equity		444,299	333,898
Commitments and contingencies	25		

The accompanying notes are an integral part of these consolidated financial statements. These consolidated financial statements were approved by the Board on March 16, 2015 and were signed on its behalf.

Signed: Glen D. Roane
Director

Signed: David M. Calnan
Director

BADGER DAYLIGHTING LTD.
Consolidated Statement of Comprehensive Income
(Expressed in thousands of Canadian Dollars)

For the year ended December 31	Notes	2014 $	2013 $
Revenues	18	422,219	324,594
Direct costs	19	282,645	214,711
Gross profit		139,574	109,883
Depreciation of property, plant and equipment	10	33,611	24,183
Amortization of intangible assets	11	1,276	213
Selling, general and administrative	19	19,453	15,714
Deferred unit plan	17	2,393	10,010
Operating profit		82,841	59,763
(Gain) loss on sale of property, plant and equipment		(323)	291
Finance cost		5,806	1,645
Unrealized foreign exchange loss on senior secured notes		3,839	-
Profit before tax		73,519	57,827
Income tax expense	13	20,417	17,464
Net profit for the year		53,102	40,363
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		13,409	5,530
Total comprehensive income for the year attributable to shareholders of the Corporation		66,511	45,893
Earnings per share			
Basic	1, 20	1.43	1.09
Diluted	1, 20	1.43	1.09

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

BADGER DAYLIGHTING LTD.
Consolidated Statement of Changes in Equity
(Expressed in thousands of Canadian Dollars)

For the year ended	Notes	Shareholders' capital $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total equity $
As at December 31, 2012		80,640	2,061	(2,239)	59,246	139,708
Net profit for the year		-	-	-	40,363	40,363
Other comprehensive income for the year		-	-	5,530	-	5,530
Share options exercised	16	304	-	-	-	304
Options surrendered for cash	16	-	(1,513)	-	-	(1,513)
Dividends declared	14	-	-	-	(13,323)	(13,323)
As at December 31, 2013		80,944	548	3,291	86,286	171,069
Net profit for the year		-	-	-	53,102	53,102
Other comprehensive income for the year		-	-	13,409	-	13,409
Dividends declared	14	-	-	-	(13,332)	(13,332)
As at December 31, 2014		80,944	548	16,700	126,056	224,248

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

BADGER DAYLIGHTING LTD.
Consolidated Statement of Cash Flows
(Expressed in thousands of Canadian Dollars)

For the year ended December 31	Notes	2014 $	2013 $
Operating activities			
Net profit for the year		53,102	40,363
Non-cash adjustments to reconcile profit from operations to net cash flows:			
Depreciation of property, plant and equipment	10	33,611	24,183
Amortization of intangible assets	11	1,276	213
Deferred income tax	13	5,900	4,729
Equity-settled share plan settled in cash	16	-	(1,513)
(Gain) loss on sale of property plant and equipment		(323)	291
Unrealized foreign exchange loss on senior secured notes		3,839	-
Unrealized foreign exchange loss on deferred tax		3,074	1,556
		100,479	69,822
Net change in non-cash working capital relating to operating activities		(16,276)	(11,419)
Net cash flows from operating activities		84,203	58,403
Investing activities			
Purchase of property, plant and equipment	10	(99,083)	(70,479)
Purchase of intangible assets	11	-	(2,555)
Proceeds from sale of property, plant and equipment		541	425
Business combination	6	-	(19,160)
Net cash flows used in investing activities		(98,542)	(91,769)
Financing activities			
Proceeds received on the exercise of share options	16	-	304
Proceeds from long-term debt		121,112	52,546
Repayment of long-term debt		(82,912)	-
Dividends paid	14	(13,332)	(13,321)
Net cash flows from financing activities		24,868	39,529
Net increase in cash and cash equivalents		10,529	6,163
Cash and cash equivalents, beginning of year	7	8,623	2,460
Cash and cash equivalents, end of year	7	19,152	8,623
Supplemental cash flow information:			
Interest paid		5,806	1,645
Income tax paid		18,878	10,869

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

1 Incorporation and Operations

Badger Daylighting Ltd. and its subsidiaries (together "Badger" or the "Corporation") provide non-destructive excavating services to the utility, transportation, industrial, engineering, construction and petroleum industries in Canada and the United States. Badger is a publicly traded corporation. The address of the registered office is 1000, 635 – 8th Avenue SW, Calgary, Alberta T2P 3M3. The consolidated financial statements of the Corporation were authorised for issue by the Board of Directors on March 16, 2015.

All current and comparative share capital and profit per share amounts have been adjusted to reflect the three-for-one share split that was completed in January 2014.

2 Basis of Preparation

Statement of compliance
These consolidated financial statements of the Corporation are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Basis of measurement
These consolidated financial statements have been prepared under the historical cost convention.

Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3 Significant Accounting Judgements, Estimates and Assumptions (continued)

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities of the respective jurisdictions in which it operates. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Useful lives of property, plant and equipment

The Corporation estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

Business combinations

In a business combination, the Corporation may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property, plant and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant and equipment and intangible assets acquired, the Corporation relies on independent third-party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples. For further information on business acquisitions, see Note 6.

Allowance for doubtful debts

The Corporation makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

4 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

A) Basis of consolidation

The consolidated financial statements include the accounts of Badger Daylighting Ltd. and its subsidiaries, all of which are wholly owned. Subsidiaries are consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intra-company balances, income and expenses, unrealized gains and losses and dividends resulting from intra-company transactions are eliminated in full.

B) Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and short-term investments with original maturities of three months or less and are recorded at cost, which approximates fair market value.

C) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being defined to include laid-down cost for materials on a weighted average basis.

D) Leases

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the balance of the liability. Finance charges are recognized in the consolidated statement of comprehensive income. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Corporation's consolidated statement of financial position. Operating lease payments are recognized as a direct cost in the consolidated statement of comprehensive income.

E) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis to recognize the cost less estimated residual value over the estimated useful life of the assets as follows:

Land improvements	50%
Buildings	5%
Shoring equipment	10%
Shop and office equipment	10%-25%
Truck and trailers	8%-15%

4 Summary of Significant Accounting Policies (continued)

E) Property, plant and equipment (continued)

Depreciation of equipment under construction is not recorded until such time as the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Gains or losses arising from derecogniton of an item of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

F) Intangible assets

Intangible assets represent service rights acquired, customer relationships, trade name and non-compete agreements. Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

A summary of the policies applied to the Corporation's intangible assets is as follows:

	Service rights	Other intangibles
Useful lives	Indefinite	5 years
Amortization method	No amortization	Straight-line

G) Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

4 Summary of Significant Accounting Policies (continued)

G) Impairment of non-financial assets excluding goodwill (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income.

H) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

I) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and liabilities assumed in a business combination. Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Corporation's CGU's expected to benefit from the synergies of the combination. CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

J) Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income except to the extent it relates to items recognized directly in equity.

Current income tax
Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

4 Summary of Significant Accounting Policies (continued)

J) Taxes (continued)

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

K) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, sales taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

The Corporation recognizes revenue from services when the services are provided.

Truck placement fees

Truck placement fees are recognized when the truck is delivered to the operating partner.

L) Finance costs

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method. No borrowing costs were capitalized during the year.

4 Summary of Significant Accounting Policies (continued)

M) Share-based payment

The Corporation operates a number of equity-settled and cash-settled share-based compensation plans under which it receives services from employees as consideration for equity instruments of the Corporation or cash payments.

Equity-settled awards

The Corporation uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Cash-settled awards

The Corporation uses the market price of its shares to estimate the fair value of cash-settled awards. Fair value is established initially at the grant date and the obligation is revalued each reporting period until the awards are settled with any changes in the obligation recognized in the consolidated statement of comprehensive income.

N) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by the Corporation's President and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

O) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the aggregate consideration transferred, measured at the acquisition date. All acquisition costs are expensed as incurred in selling, general and administrative expenses. Any contingent consideration to be paid is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in accordance with IAS 39, Financial Instruments – Recognition and Measurement.

P) Foreign currency translation

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of comprehensive income.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the accumulated other comprehensive income (loss) when settlement of which is neither planned nor likely to occur in the foreseeable future.

4 Summary of Significant Accounting Policies (continued)

P) Foreign currency translation (continued)

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gain or losses related to such items are recognized in other comprehensive income, and presented in accumulated other comprehensive income (loss) in equity.

Q) Financial assets

The Corporation classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Corporation's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the consolidated statement of financial position.

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method.

A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

R) Financial liabilities

The Corporation classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Other financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Other financial liabilities include trade and other payables, deferred unit plan liability, dividends payable and long-term debt. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Financial liabilities are classified as current liabilities if payment is due within one year or less, if not, they are presented as non-current liabilities.

S) Equity instruments

Equity instruments issued by the Corporation are recorded at the proceeds received net of direct issue costs.

(Expressed in thousands of Canadian Dollars unless stated otherwise)

5 Recent accounting pronouncements

The Corporation adopted amendments to IFRS 7, IAS 32, IAS 36, and IFRIC 21 on January 1, 2014. There was no material impact to the Corporation's consolidated financial statements as a result of the adoption of those standards.

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

i) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial instruments that must be applied starting January 1, 2018, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Corporation will assess the impact of this standard in conjunction with the other phases, when the final standard including all phases is issued.

ii) IFRS 15, 'Revenue from Contracts with Customers" replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and SIC-31, Revenue – Barter Transactions Involving Advertising Services and is effective for annual periods beginning on or after January 1, 2017. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. The new standard provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions.
   a. Identify the contract(s) with the customer;
   b. Identify the performance obligation(s) in the contract;
   c. Determine the transaction price;
   d. Allocate the transaction price to each performance obligation in the contract;
   e. Recognize revenue when (or as) the entity satisfies a performance obligation.

   The Corporation is currently evaluating the impact of this standard.

6 Business acquisitions

A) In May 2013, the Corporation acquired the service rights from certain of its Canadian agents for cash consideration of $2,555. The entire purchase price was allocated to intangible assets (service rights).

B) On November 1, 2013, the Corporation acquired the business and operating assets of Fieldtek Holdings Ltd. ("Fieldtek"). Fieldtek is a privately owned company based in Lloydminster, Alberta providing general vacuum truck and auxiliary services to the oil and gas industry, focused primarily on production tank cleaning and removal of waste oil and sand.

The aggregate purchase price of $19,160 was financed with Corporation's extendable revolving credit facility. The goodwill of $1,515 comprises the value of expected synergies arising from the acquisition and other not separately recognized intangibles. Goodwill is allocated entirely to the Canada segment. The fair values of the assets acquired were as follows:

	$
Property, plant and equipment	11,266
Intangible assets	6,379
Goodwill	1,515
	19,160

(Expressed in thousands of Canadian Dollars unless stated otherwise)

7 Cash and cash equivalents

	2014	2013
	$	$
Cash at banks and on hand	19,152	8,524
Short-term investments	-	99
	19,152	8,623

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods of between one and three months, depending on the immediate cash requirements of the Corporation, and earn interest at the respective short-term investment rates.

8 Trade and other receivables

	2014	2013
	$	$
Trade receivables	107,602	90,113
Other sundry receivables	4,362	2,002
	111,964	92,115

Trade receivables are non-interest bearing and are generally on 30-90 day terms. The allowance for doubtful debts as at December 31, 2014 is $1,023 (2013 - $534).

The ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Total	**Not past due**	**31-60 days**	**61-90 days**	**Greater than 90 days**
	$	**$**	**$**	**$**	**$**
December 31, 2014	107,602	35,251	30,941	16,838	24,572
December 31, 2013	90,113	45,679	22,211	10,947	11,276

9 Inventories

	2014	2013
	$	$
Raw materials	4,400	3,300

(Expressed in thousands of Canadian Dollars unless stated otherwise)

10 Property, plant and equipment

	Land	Land improvements	Buildings	Equipment under construction	Shoring equipment	Shop and office equipment	Trucks and trailers	Total
	$	$	$	$	$	$	$	$
Cost								
At December 31, 2012	5,292	227	12,074	6,342	2,316	836	217,560	244,647
Additions/transfers	144	371	1,606	696	132	267	67,263	70,479
Business combination	-	-	-	-	-	-	11,266	11,266
Disposals	-	-	-	-	(83)	(64)	(4,708)	(4,855)
Exchange differences	15	-	37	-	-	18	7,469	7,539
At December 31, 2013	5,451	598	13,717	7,038	2,365	1,057	298,850	329,076
Additions/transfers	-	36	3,335	446	576	205	94,485	99,083
Disposals	-	-	(17)	-	(116)	-	(3,740)	(3,873)
Exchange differences	30	-	79	-	-	28	14,925	15,062
At December 31, 2014	5,481	634	17,114	7,484	2,825	1,290	404,520	439,348
Depreciation								
At December 31, 2012	-	120	3,471	-	1,514	344	89,630	95,079
Depreciation charge for the year	-	141	622	-	153	124	23,143	24,183
Disposals	-	-	-	-	(51)	(56)	(4,033)	(4,140)
Exchange differences	-	-	1	-	-	8	2,331	2,340
At December 31, 2013	-	261	4,094	-	1,616	420	111,071	117,462
Depreciation charge for the year	-	192	660	-	159	154	32,446	33,611
Disposals	-	-	(2)	-	(71)	-	(3,584)	(3,656)
Exchange differences	-	-	3	-		16	5,893	5,912
At December 31, 2014	-	453	4,755	-	1,704	590	145,827	153,329
Net book value								
At December 31, 2013	5,451	337	9,623	7,038	749	637	187,779	211,614
At December 31, 2014	5,481	181	12,359	7,484	1,121	700	258,693	286,019

(Expressed in thousands of Canadian Dollars unless stated otherwise)

11 Goodwill and intangible assets

	Service rights $	Other intangibles $	Goodwill $	Total $
Cost				
At December 31, 2013 and December 31, 2014	7,485	7,359	3,136	17,980
Amortization and impairment				
At December 31, 2013	-	1,193	-	1,193
Amortization for the year	-	1,276	-	1,276
At December 31, 2014	-	2,469	-	2,469
Net book value				
At December 31, 2013	7,485	6,166	3,136	16,787
At December 31, 2014	7,485	4,890	3,136	15,511

Impairment testing of goodwill and intangibles with indefinite lives
For impairment testing purposes, goodwill acquired through business combinations and service rights with indefinite lives have been allocated to the Eastern Canada and Western Canada cash-generating units respectively.

The Corporation performed the annual impairment tests of goodwill and service rights at December 31. The recoverable amount of the Eastern Canada and Western Canada cash-generating units have been determined based on a value in use calculation using post-tax cash flow projections from financial budgets approved by senior management, and projected over a five year period based on a growth rate of 4%. The post-tax discount rate applied to cash flow projections is 8.89% (2013 - 9.88%). No reasonably possible range of assumptions would result in an impairment being triggered. As a result of this analysis, management did not identify any impairment.

12 Trade and other payables

	2014 $	2013 $
Current		
Trade payables	18,783	18,738
Bonuses payable	3,189	2,644
Accrued expenses	8,468	2,275
	30,440	23,657

Trade payables are non-interest bearing and are normally settled on 45 day terms.

(Expressed in thousands of Canadian Dollars unless stated otherwise)

13 Income taxes

The major components of income tax expense for the years are as follows:

	2014 $	2013 $
Current income tax	14,517	12,735
Deferred income tax	5,900	4,729
Total income tax expense	20,417	17,464

The provision for income taxes, including deferred taxes, reflects an effective income tax rate that differs from the actual combined Canadian federal and provincial statutory rates of 25.5% (2013 – 25.50%). The Corporation's U.S. subsidiaries are subject to federal and state statutory tax rates of approximately 40% for both 2014 and 2013. The main differences are as follows:

	2014 $	2013 $
Profit before tax	73,519	57,827
Income tax expense at the Canadian statutory rate	18,747	14,746
Increase (decrease) resulting from:		
Tax rates in foreign jurisdictions	1,757	4,453
Other items	(87)	(1,735)
Income tax expense	20,417	17,464

All deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. In addition, deferred tax assets and liabilities have been offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

	As at December 31, 2013 $	Recognized in profit or loss $	As at December 31, 2014 $
Deferred tax assets			
Tax loss carry-forwards	259	2,392	2,651
Deferred unit plan	3,553	(245)	3,308
Share issue costs	316	(105)	211
	4,128	2,042	6,170
Deferred tax liabilities			
Property, plant and equipment	37,108	11,369	48,477
Intangible assets	516	(94)	422
Partnership income	2,902	(893)	2,009
Reserve	459	43	502
Unrealized foreign exchange gain	-	592	592
	40,985	11,017	52,002
Net deferred tax liability	36,857	8,975	45,832

(Expressed in thousands of Canadian Dollars unless stated otherwise)

14 Dividends payable

During the year ended December 31, 2014, the Corporation paid cash dividends of $13,332 (2013 - $13,323) (or $0.36 per common share (2013 - $0.36 per common share) and declared a $1,111 cash dividend (2013 - $1,111) (or $0.03 per common share (2013 - $0.03 per common share) to its shareholders of record at the close of business on December 31, 2014 that was paid January 15, 2014.

The Corporation declares dividends monthly to its shareholders. Determination of the amount of cash dividends for any period is at the sole discretion of the directors and is based on certain criteria including financial performance as well as the projected liquidity and capital resource position of the Corporation. Dividends are declared to shareholders of the Corporation on the last business day of each month and paid on the 15th day of the month following the declaration (or if such day is not a business day, the next following business day).

15 Long-term debt

	2014 $	2013 $
Extendable revolving credit facility	37,426	82,319
Senior secured notes	86,932	-
	124,358	82,319

Extendable revolving credit facility

The Corporation has established a $125 million syndicated credit facility. The purpose of the credit facility is to finance the Corporation's capital expenditure program and for general corporate purposes. The credit facility bears interest, at the Corporation's option, at either the bank's prime rate plus a tiered set of basis points or bankers' acceptance rate also with a tiered structure. A stand-by fee is also required on the unused portion of the credit facility on a tiered basis. The prime rate tiers range between zero and 125 basis points. The bankers' acceptance tier ranges from 125 to 250 basis points. The stand-by fee tiers range between 25 and 50 basis points. All of the tiers are based on the Company's Funded Debt to EBITDA ratio. The stand-by fee is expensed as incurred.

The credit facility expires on July 22, 2018.

The syndicated credit facility is collateralized by a general security interest over the Corporation's assets, property and undertaking, present and future.

Under the terms of the credit facility, the Corporation must comply with certain financial and non-financial covenants, as defined by the bank. Throughout 2014, and as at December, 2014, the Corporation was in compliance with all of these covenants.

As at December 31, 2014, the Corporation has issued letters of credit of approximately $2.6 million. The outstanding letters of credit support the U.S. insurance program and certain performance bonds and reduce the amount available under the syndicated credit facility.

At December 31, 2014, the Corporation had available $86.0 million (December 31, 2013 - $16.3 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

(Expressed in thousands of Canadian Dollars unless stated otherwise)

15 Long-term debt (continued)

Senior secured notes

On January 24, 2014 Badger closed a private placement of senior secured notes. The notes, which rank pari passu with the extendable revolving credit facility, have a principal amount of US $75,000, and an interest rate of 4.83% per annum and mature on January 24, 2022. The Canadian dollar equivalent on January 24, 2014 was $82,912. Amortizing principal repayments of US $25,000 are due under the notes on January 24, 2020, January 24, 2021 and January 24, 2022. Interest is paid semi-annually in arrears.

The senior secured notes are collateralized by a general security interest over the Corporation's assets, property and undertaking, present and future.

Under the terms of the senior secured notes, the Corporation must comply with certain financial and non-financial covenants, as defined by the senior secured note agreement. Throughout 2014, and as at December, 2014, the Corporation was in compliance with all of these covenants.

For the year ended December 31, 2014, Badger recorded an unrealized foreign exchange loss of $3,839. This was due to the impact of the change over the period in the value of the Canadian dollar relative to the US dollar on the Corporation's $75,000 of US dollar denominated debt.

16 Shareholders' capital and reserves

A) Authorized shares

An unlimited number of voting common shares are authorized without nominal or par value.

B) Issued and outstanding

	Number of Shares	Amount $
At December 31, 2012	36,979,893	80,640
Shares issued pursuant to the share option plan	54,000	304
At December 31, 2013 and December 31, 2014	37,033,893	80,944

Share amounts have been restated to reflect the impact of the three-for-one common share split completed in January 2014.

C) Accumulated other comprehensive income (loss)

The accumulated other comprehensive income (loss) is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

D) Contributed surplus

The contributed surplus reserve is used to recognize the fair value of share options granted to employees, including key management personnel, as part of their remuneration. Refer to Note 17 for further details of these plans.

	2014 $	2013 $
Opening balance	548	2,061
Equity-settled share plan settled in cash	-	(1,513)
Closing balance	548	548

(Expressed in thousands of Canadian Dollars unless stated otherwise)

17 Share-based payment plans

Deferred Unit Plan (cash-settled)

The Deferred Unit Plan ("DUP") was established to reward officers and employees. Directors may also participate in the plan whereby they will be paid 60% to 100% of the annual retainer in the form of deferred units. Pursuant to the terms of the DUP, participants are granted deferred units with a value equivalent to the value of a Badger share. Subsequent to the January 2014 three-for-one common share split, each unit under the plan was amended to provide three units, each with a value of one post-split Badger share. The deferred units granted earn additional deferred units for the dividends that would otherwise have been paid on the deferred units as if they instead had been issued as Badger shares on the date of the grant. The deferred units granted other than to the directors, which vest immediately, vest equally over a period of three years from the date of the grant. Upon vesting, the participant may elect to redeem the deferred units for an equal number of Badger shares or the cash equivalent. The DUP has been accounted for as a cash-settled plan. The compensation expense is based on the estimated fair value of the deferred units outstanding at the end of each quarter and recognized using graded vesting throughout the term of the vesting period, with a corresponding credit to liabilities.

The liability of deferred units outstanding as at December 31, 2014 is $12,887 (2013 - $13,933). The fair value of deferred units exercisable as at December 31, 2014 is $14,025 (2013 - $10,799). Changes in the number of deferred units under the Badger DUP were as follows:

	Units
At December 31, 2012	498,375
Granted	101,550
Dividends earned	14,418
Redeemed	(34,002)
Forfeited	(13,323)
At December 31, 2013	567,018
Granted	53,196
Dividends earned	5,555
Redeemed	(94,373)
Forfeited	(19,590)
At December 31, 2014	511,806
Exercisable at December 31, 2014	401,213

18 Revenues

	2014	**2013**
	$	**$**
Rendering of services	419,060	322,654
Truck placement fees	3,159	1,940
	422,219	324,594

19 Expenses by nature

Direct costs and selling, general and administrative expenses include the following major expenses by nature:

	2014	**2013**
	$	**$**
Wages, salaries and benefits	153,483	124,854
Fees paid to operating partners	66,524	50,141
Fuel	25,832	17,311
Repairs and maintenance	24,365	17,973

(Expressed in thousands of Canadian Dollars unless stated otherwise)

20 Earnings per share

Basic earnings per share ("EPS")

Basic EPS is calculated by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The denominator is calculated by adjusting the shares in issue at the beginning of the year by the number of shares bought back or issued during the year, multiplied by a time-weighting factor. Earnings per share and share amounts have been retroactively restated to reflect the three-for-one share split completed in January 2014.

The calculation of basic earnings per share for the year ended December 31, 2014, was based on the profit available to common shareholders of $53,694 (2013 - $40,363), and a weighted average number of common shares outstanding of 37,033,893 (2013 – 37,006,770).

Weighted average number of common shares

	2014	**2013**
Issued common shares outstanding, beginning of year	37,033,893	36,979,893
Effect of share options exercised	-	26,877
Weighted average number of common shares, end of year	37,033,893	37,006,770

Diluted EPS

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential shares. The effects of anti-dilutive potential shares are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Corporation is in a loss position. Diluted earnings per share and share amounts have been retroactively restated to reflect the three-for-one share split completed in January 2014.

The calculation of diluted earnings per share for the year ended December 31, 2014, was based on a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 37,033,893 (2013 – 37,006,770). There were no adjustments for the effects of dilutive potential common shares at December 31, 2014 (2013 – nil).

21 Segment reporting

The Corporation operates in two geographic/reportable segments providing non-destructive excavating services in each of these segments. The following is selected information for the years ended December 31, 2014 and 2013 based on these geographic segments.

For the year ended:	**December 31, 2014**			**December 31, 2013**		
	Canada ($)	**U.S. ($)**	**Total ($)**	**Canada ($)**	**U.S. ($)**	**Total ($)**
Revenues	215,707	206,512	422,219	169,684	154,910	324,594
Direct costs	141,154	141,491	282,645	109,092	105,619	214,711
Depreciation of property, plant and equipment	14,663	18,948	33,611	11,409	12,774	24,183
Amortization of intangible assets	1,276	-	1,276	213	-	213
Selling, general and administrative	14,244	5,209	19,453	11,315	4,399	15,714
Profit before tax	32,866	40,653	73,519	26,320	31,507	57,827

For the year ended:	**December 31, 2014**			**December 31, 2013**		
	Canada ($)	**U.S. ($)**	**Total ($)**	**Canada ($)**	**U.S. ($)**	**Total ($)**
Additions to non-current assets:						
Property, plant and equipment	31,545	67,538	99,083	26,032	44,447	70,479
Intangible assets	-	-	-	2,555	-	2,555

(Expressed in thousands of Canadian Dollars unless stated otherwise)

21 Segment reporting (continued)

	Canada ($)	U.S. ($)	Total ($)
As at December 31, 2014			
Property, plant and equipment	120,561	165,458	286,019
Intangible assets	15,511	-	15,511
Total assets	215,251	229,048	444,299
As at December 31, 2013			
Property, plant and equipment	103,740	107,874	211,614
Intangible assets	16,787	-	16,787
Total assets	178,703	155,195	333,898

22 Related party disclosure

The consolidated financial statements include the financial statements of Badger Daylighting Ltd. and the subsidiaries listed in the following table:

		% equity interest	
Name	**Country of Incorporation**	**2014**	**2013**
Badger Daylighting (Fort McMurray) Inc.	Canada	100%	100%
Badger Edmonton Ltd.	Canada	100%	100%
Fieldtek Ltd.	Canada	100%	100%
Badger ULC	Canada	100%	100%
Badger Daylighting USA, Inc.	United States of America	100%	100%
Badger Daylighting Corp.	United States of America	100%	100%
Badger, LLC	United States of America	100%	100%

Balances and transactions between Badger Daylighting Ltd. and its subsidiaries have been eliminated on consolidation and are not disclosed in this Note. Details of transactions between the Corporation and other related parties are disclosed below.

Transactions with related parties

During the year ended December 31, 2013, the Corporation was charged $197 for professional fees by a partnership in which a director of the Corporation was a partner. The director ceased being a partner in 2013 and therefore the professional fees are no longer considered related party transactions in 2014. These transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties and are measured at the fair value.

Related party balances

As at December 31, 2014 and December 31, 2013 there were no significant outstanding balances with related parties.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	2014	2013
	$	$
Compensation, including bonuses	2,461	2,251
Share-based payments	1,354	678
	3,815	2,929

(Expressed in thousands of Canadian Dollars unless stated otherwise)

22 Related party disclosure (continued)

Key management personnel and director transactions

Key management and directors of the Corporation control 2 percent of the voting shares of the Corporation.

23 Capital management

The Corporation's strategy is to have a sufficient capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Corporation considers the capital structure to consist of net debt and shareholders' equity. The Corporation considers net debt to be total long-term debt less cash and cash equivalents. The Corporation seeks to maintain a balance between the level of net debt and shareholders' equity to facilitate access to capital markets to fund growth and working capital. On a historical basis, it has been management's objective and view that the Corporation has maintained a conservative and appropriate ratio of net debt to net debt plus shareholders' equity. The Corporation may occasionally need to increase these levels to facilitate acquisition or expansion activities. This ratio was as follows:

	2014 $	2013 $
Long-term debt	124,358	82,319
Cash and cash equivalents	(19,152)	(8,623)
Net debt	105,206	73,696
Shareholders' equity	224,248	171,069
Total capitalization	319,454	244,765
Net debt to total capitalization (%)	33%	30%

The Corporation sets the amounts of its various forms of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce net debt.

The Corporation is bound by certain financial and non-financial covenants as defined by both the extendable revolving credit facility and the senior secured note agreement. If the Corporation is in violation of any of these covenants its ability to pay dividends may be inhibited. The Corporation monitors these covenants to ensure it remains in compliance. The financial covenants are as follows:

Ratio	December 31, 2014	December 31, 2013	Threshold
Funded Debt[1] to EBITDA[2]	0.92:1	0.88:1	2.75:1 maximum
Fixed Charge Coverage[3]	N/A	3.44:1	1.00:1 minimum
EBITDA[2] to Interest Expense[4]	19.67:1	N/A	3.00:1 minimum
Tangible Net Worth[5]	$208,737	N/A	$133,791

[1] Funded Debt is long-term debt, less cash and cash equivalents.

[2] Funded Debt to EBITDA (earnings before interest, taxes, depreciation and amortization) means the ratio of consolidated Funded Debt to the aggregated EBITDA for the trailing twelve-months. Funded Debt is defined as long-term debt including any current portion thereof. EBITDA is defined as the trailing twelve-months of EBITDA for the Corporation.

[3] Fixed Charge Coverage Ratio means, based on the trailing twelve-month EBITDA less unfinanced capital expenditures and cash taxes, plus the unused portion of the extendable revolving credit facility to the sum of the aggregate of scheduled long-term debt principal payments, interest and dividends. This covenant was removed upon establishment of the syndicated credit facility (see note 15).

[4] Interest expense is interest expense as calculated in accordance with IFRS. This covenant was effective upon establishment of the syndicated credit facility (see note 15).

[5] Tangible Net Worth is total consolidated shareholders equity less intangible assets. This covenant was effective upon establishment of the syndicated credit facility (see note 15).

23 Capital management (continued)

Throughout 2014 and as at December 31, 2014 the Corporation was in compliance with all of these covenants.

There were no changes in the Corporation's approach to capital management during the year.

The Corporation's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

Risk management is carried out by senior management, and the Board of Directors.

24 Financial instruments and risk management

Fair values

The Corporation's financial instruments recognized on the consolidated statement of financial position consist of cash and cash equivalents, trade and other receivables, trade and other payables, deferred unit plan liability, dividends payable and long-term debt. The fair values of these recognized financial instruments, excluding long-term debt, approximate their carrying values due to their short-term maturity.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. A substantial portion of the Corporation's trade receivable balance is with customers in the petroleum and utility industries and is subject to normal industry credit risks. The Corporation manages its exposure to credit risk through standard credit granting procedures and short payment terms. The Corporation attempts to monitor financial conditions of its customers and the industries in which they operate.

Liquidity risk

Liquidity risk is the risk that, as a result of operational liquidity requirements, the Corporation will not have sufficient funds to settle an obligation on the due date and will be forced to sell financial assets at a price which is less than what they are worth, or will be unable to settle or recover a financial asset.

The Corporation's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Corporation to raise capital by issuing equity or obtaining additional debt financing. The Corporation also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

At December 31, 2014, the Corporation had available $86.0 million of authorized borrowing capacity on the extendable revolving credit facility. The credit facility expires on July 22, 2018. The Corporation believes it has sufficient funding through operations and the use of this facility to meet foreseeable financial obligations.

The table below summarizes the maturity profile of the Corporation's financial liabilities at December 31, 2014 based on contractual undiscounted payments.

(Expressed in thousands of Canadian Dollars unless stated otherwise)

24 Financial instruments and risk management (continued)

	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
As at December 31, 2014					
Trade and other payables	30,440	-	-	-	30,440
Deferred unit plan liability	12,887	-	-	-	12,887
Long-term debt	-	-	37,425	86,933	124,358
	42,907	-	37,425	86,933	167,685

	Less than 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
As at December 31, 2013					
Trade and other payables	23,657	-	-	-	23,657
Deferred unit plan liability	13,933	-	-	-	13,933
Long-term debt	-	82,319	-	-	82,319
	37,590	82,319	-	-	119,909

Market risk

The significant market risk exposures affecting the financial instruments held by the Corporation are those related to interest rates and foreign currency exchange rates which are explained as follows:

Interest rate risk

The Corporation is exposed to interest rate risk in relation to interest expense on a portion of its long-term debt. Interest is calculated at prime on its borrowing facilities. The prime interest rate is subject to change. A sensitivity analysis would indicate that net profit for the year ended December 31, 2014 would have been affected by approximately $0.8 million if the average interest rate changed by one percent. The Corporation does not currently use interest rate hedges or fixed interest rate contracts to manage the Corporation's exposure to interest rate fluctuations.

Foreign exchange risk

The Corporation has United States operations and Canadian operations which purchase certain products in United States dollars. As a result, fluctuations in the value of the Canadian dollar relative to the United States dollar can result in foreign exchange gains and losses. The Corporation does not currently have any agreements to fix or hedge the exchange rate of the Canadian dollar to the United States dollar.

United States dollar denominated balances, subject to exchange rate fluctuations, were as follows (amounts shown in Canadian dollar equivalent):

	2014 $	2013 $
Cash and cash equivalents	16,837	8,623
Trade and other receivables	51,320	37,399
Trade and other payables	(11,442)	(8,734)
Income taxes payable	(4,643)	(3,097)
Long-term debt	(86,932)	(58,300)
	(34,860)	(24,109)

(Expressed in thousands of Canadian Dollars unless stated otherwise)

24 Financial instruments and risk management (continued)

The following table demonstrates the Corporation's sensitivity to a 10% increase or decrease in the Canadian dollar against the foreign exchange rates. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in the foreign currency rate (amounts shown in Canadian dollar equivalent).

Increase/decrease in foreign exchange rate	Effect on profit/(loss) before tax 2014 $	Effect on profit/(loss) before tax 2013 $
10% strengthening in the Canadian dollar against the US dollar	4,366	3,133
10% weakening in the Canadian dollar against the US dollar	(4,366)	(3,135)

25 Commitments and contingencies

Legal disputes

The Corporation is not involved in any legal disputes that would generate a material impact to the financial results of the Corporation.

Operating leases

The Corporation has entered into operating leases for shop and office premises.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2014 $	2013 $
Within one year	3,087	2,575
After one year but not more than five years	5,755	4,159
Total	8,842	6,734

Purchase commitments

At December 31, 2014 the Corporation has commitments to purchase approximately $15,815 worth of capital assets and various parts and materials. There are no set terms for remitting payment for these financial obligations.