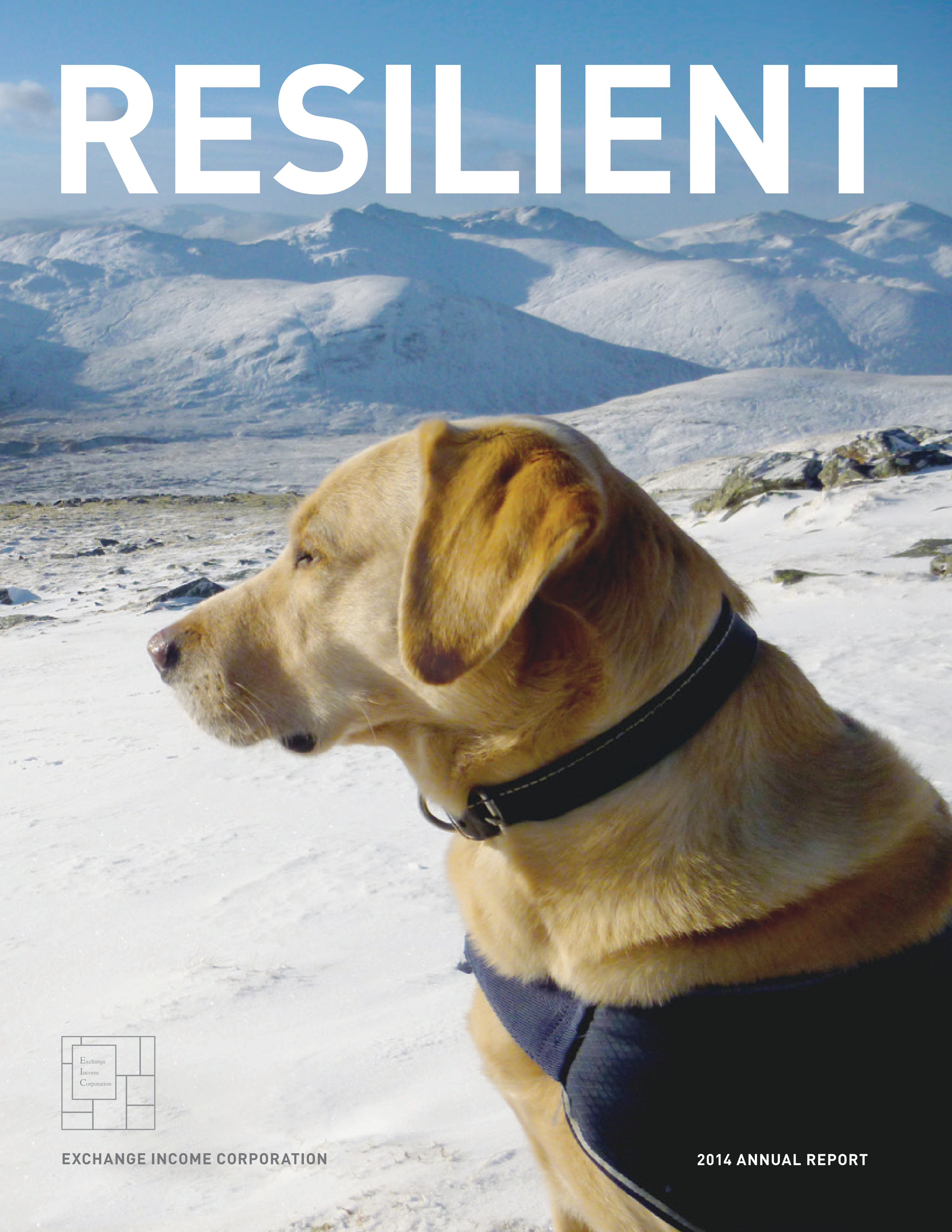
RESILIENT



EXCHANGE INCOME CORPORATION

2014 ANNUAL REPORT

MOVING FORWARD

Our success over the years has been driven by the fundamentals of our business model – diversification and disciplined acquisitions which yield dependable dividends. Our business model proved itself again in 2014. We emerged from a series of business challenges and extreme weather conditions stronger than ever and well positioned for the future. Our financial performance and the gains we made to our key financial metrics – revenue growth of 7% to $542.5 million and EBITDA growth of 15% to $94.3 million – validate the effectiveness of our business model.

Our progress – and our resilience – in 2014 are highlighted by our ninth dividend increase in our 10-year history to $1.74 per share on an annualized basis

TO THE POWER OF 3

Provincial Aerospace Ltd., acquired in January 2015, operates as Provincial Airlines with scheduled passenger, cargo, air ambulance and charter services throughout Atlantic Canada and Quebec.

DIVERSIFIED DISCIPLINED DIVIDENDS

Our business model is relatively simple. It's built on the cornerstone that diversified operations combined with a disciplined approach to acquisitions will generate the ability to maintain and grow our dividend year after year. Our model has proven itself time after time, since 2004.

DIVERSIFIED

Effective diversification makes it possible for us to withstand economic cycles. Our 12 companies span a diversified variety of industries, businesses and regions, delivering products and services to customers throughout North America and the rest of the world.

Combined with a focused management team and a strong balance sheet, effective diversification has delivered dependable returns for shareholders over the past 10 years, regardless of market conditions.

The recent acquisitions of Provincial Aerospace and Regional One, in particular, have significantly enhanced the customer, industry and geographic diversification within our portfolio of companies reducing our exposure to the North American economy.


OUR DIVERSIFIED REVENUE STREAMS
SCHEDULED PASSENGER SERVICES
CARGO HANDLING
FIRE SUPPRESSION AND EVACUATION SERVICES
MEDEVAC TRANSPORTATION
MARITIME SURVEILLANCE SOLUTIONS
AIRPORT FIXED BASE OPERATIONS
AFTER-MARKET AVIATION EQUIPMENT SALES
CUSTOMIZED STEEL TANKS
PRECISION METAL MANUFACTURING
HIGH PRESSURE WATER CLEANING SYSTEMS
CELL PHONE TOWER CONSTRUCTION AND INSTALLATION

DISCIPLINED

Over the past 10 years, we have taken a disciplined approach to growing our business through acquisitions. Target companies have to meet very specific criteria.

In keeping with our disciplined approach, we moved decisively to enhance our diversification through the profitable divestiture of WesTower US and the acquisition of Provincial Aerospace.

The divestiture allowed us to exit the US telecommunications market that had become too reliant on one customer while retaining WesTower's Canadian operations, which continue to provide opportunities for growth.

The strength of our balance sheet provided the financial capacity to acquire Provincial Aerospace for approximately $246 million at virtually the same time as the divestiture. Combined, the transactions represented a value of nearly half a billion dollars in the span of a quarter.

APPROXIMATE TOTAL VALUE OF TRANSACTIONS IN 2014:

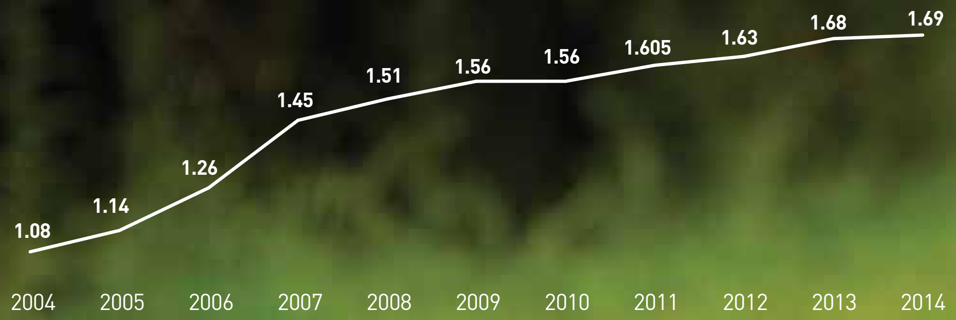
$500 MILLION

DIVIDENDS

The strength of our business model – being diversified, disciplined and dependable – was reflected by our ability to grow our dividend to $1.74 per share on an annualized basis. The increase, our ninth in 10 years, is indicative of the power of our business model.

Our resilience in 2014 was reflected in our total return to shareholders of 11.3%. The investment growth was the market's endorsements of the number of changes we implemented to enhance the balance and profitability of our operations.

DIVIDENDS & DISTRIBUTIONS DECLARED PER SHARE*
($ PER SHARE)



TOTAL DIVIDENDS & DISTRIBUTIONS DECLARED
($MILLIONS)

*The Company operated as an income trust fund until July 2009

YIELD[1]

7.5%

TOTAL RETURN[1]

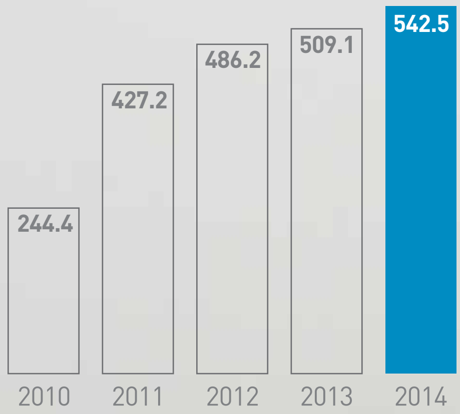
11.3%

ANNUALIZED DIVIDENDS PER SHARE[1]

$1.74

1. As at December 31, 2014

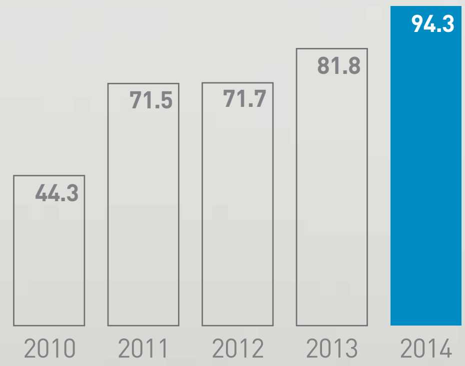
REVENUE[1]
($MILLIONS)



17.3%

5 YEAR CAGR[2]

EBITDA[1]
($MILLIONS)



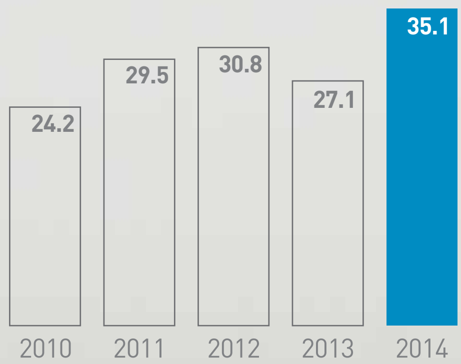
16.3%

5 YEAR CAGR[2]

We ended 2014 experiencing growth in each of our key financial metrics. The decisive actions we took throughout the year resulted in enhanced diversification, improved our profitability and positioned us for further growth. In effect, we stuck to the basics of our business model. Being diversified and disciplined produced dependable financial results yet again.

1. All financial data referenced is the Corporation's continuing operations and presented in a consistent manner. On October 20, 2014 the Corporation announced the sale of the US operations of WesTower ("WesTower US"). Discontinued operations are excluded and represent the operational results of WesTower US, the allocation of certain costs incurred by the Company to support WesTower US and the net gain on disposition. EBITDA is defined as earnings before interest, income taxes, depreciation, and amortization. EBITDA and Free Cash Flow Less Maintenance CAPEX are not defined performance measures under International Financial Reporting Standards (IFRS), but are used by management to assess the performance of the Corporation and its segments.
2. Compounded Annual Growth Rate.

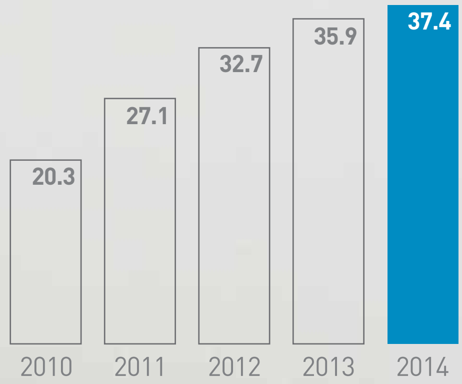
FREE CASH FLOW LESS MAINTENANCE CAPEX
($MILLIONS)



7.7%

5 YEAR CAGR[2]

DIVIDENDS DECLARED
($MILLIONS)



13.0%

5 YEAR CAGR[2]

PRESIDENT'S MESSAGE

Mike Pyle
President and Chief Executive Officer

For EIC 2014 was, in many ways, our own version of the 1985 Universal Pictures movie "Back to the Future". Our business model has always been based upon the cornerstones of Diversification, Discipline and Dividends. Our WesTower US business revenues grew by approximately 400% from 2011 to 2013. This growth challenged our ability to generate the returns we expect on our investments, and quite simply took us away from the first of our three Ds, diversification. After focusing on returning WesTower US operations to profitability we were able to sell it to MasTec Inc. in late 2014, and returned EIC to an effectively diversified dividend paying company.

The sale of WesTower US was in no way the only change we made to return our company to what has made it so successful in the past, not by a longshot. The operations of our other subsidiaries improved significantly over the year as set out below.

- Revenue grew 7% to $543 million.
- EBITDA increased at more than twice the rate of revenue growing 15% to $94 million.
- Free Cash Flow after funding all maintenance requirements grew 30% to $35 million.

The improvement in our core operations was largely driven by stronger performance at Calm Air and Regional One, where investments made in the current and previous years continued to bear fruit. The growth at these two entities was partially offset by challenges faced in our other airlines where a record cold winter dramatically lengthened the winter road season, and a very wet summer dampened the requirement for fire-suppression & evacuation services work. In short, diversification worked as challenges in one place were offset by strong performance in others.

Initiatives taken by our airlines together with changes in the industry as a whole have us well positioned for 2015. The fleet upgrade program at Calm Air, designed to convert the fleet to combination ATR 42 and 72 aircraft, is now essentially complete, and will further enhance our efficiency in 2015. The partnership entered into with Sakku Investments Corporation, the business arm of the Kivalliq Inuit Association, is expected to enhance our relationships throughout the region and provide new opportunities to our airlines. Finally, the reduced oil prices has begun to improve our margins and while the decline in the Canadian dollar will, without question, increase the cost of our parts and overhauls; on balance we enter 2015 in a better place than we started 2014.

We expect to continue the impressive growth at Regional One. The recently announced acquisition of 12 CRJ700 jets from Lufthansa CityLine will provide new opportunities to sell or lease entire aircraft as well as sell or lease component parts.

In November we announced that we had entered into an agreement to purchase Provincial Aerospace Ltd. for approximately $246 million and on January 2, 2015 we were proud to announce that the transaction had closed as anticipated. The acquisition of Provincial is by far our largest purchase to date, and is a tremendous fit for EIC in a number of ways. Provincial operates three distinct profitable business units; Provincial Airlines which services remote communities in Atlantic Canada and Quebec, Provincial Aviation Services which operates fixed base operations under the Shell and Esso banners in St. John's and Halifax, and Provincial Aerospace which is a world leader in maritime patrol and surveillance.

Both the airlines and aviation services are related to businesses we know well and have operated for a decade. They are market leaders with a well-known and respected brand. They increase our geographic and customer diversity in a market segment with which we are well acquainted. Provincial's ability to overhaul larger aircraft (EIC currently outsources this function for all aircraft over 19 seats) will provide cost efficiency and timely service to our other airlines. It will also provide Regional One the alternative to overhaul aircraft, which would previously have been parted out because of the cost of external overhauls, returning them back into profitable service through leasing or sale.

Provincial's aerospace business gives EIC an entirely new product line with a world leader in the design, modification, maintenance and operation of marine surveillance aircraft. With bases of operation in Canada, the Caribbean and the Middle East, Provincial has access to a wide range of customers and opportunities.

The return of diversification and the disciplined acquisition of Provincial enabled us to grow our third D, dividends, for the 9th time in less than 11 years of operation by returning our pro-forma payout ratio to historical norms. In November we announced that effective with the November dividend we would increase our dividend to an annual rate of $1.74. In consideration of the improvement in the Company's payout ratio in the second half of 2014 from 109% last year to 77%, the sale of WesTower US, and the near term prospects for the Company's financial performance, the Company believed this initiative to be prudent for our shareholders. At our inception we promised a distribution as an income trust of $1.08 per annum and we have increased that 61% while improving the tax treatment to that of a dividend. We are very proud of that track record and plan to continue it in the coming years.

The positive developments have continued into the new year. In early February we announced that we added two members to our bank syndicate and increased our four year debt facility to $450 million from $335 million. This enhanced access to capital will ensure that we can move quickly when the right opportunities are identified. It should be pointed out however that this new facility in no way signals a change to our philosophy of maintaining a strong balance sheet. We strive to maintain a secured debt to EBITDA ratio of no more than approximately 2 to 1. It was this balance sheet that gave us the time and flexibility to deal with the challenges at WesTower US and we have no intention of straying from that model.

Our Series I Convertible Debentures are due in January of 2016. The Company will be proceeding with a redemption of these debentures. This will be accretive to earnings and Free Cash Flow by generating a significant interest savings over the remaining months of their term.

We also recently announced that we had reached a settlement with the Canada Revenue Agency over our conversion from an income trust to a corporation. Under this arrangement EIC will not have any cash outlays for any losses utilized in previous periods, but agrees to eliminate the use of these losses in future periods. We are pleased to bring this issue to a close and remove the potential for a prolonged battle in respect of our structure and ensure that our Company faced no taxes for previous periods. This settlement resulted in a non-cash deferred tax charge of $22.9 million in our year-end financial statements as we wrote off the future value of certain tax assets. Without this charge, the Company's net earnings from continuing operations would have been positive and has a $1.03 basic per share impact.

The last two years have tested our business model and I am very proud to say that the results are in, and it is stronger than ever. It is not the periods of opportunity and success that prove the efficacy of a model, but rather how it sustains itself in periods of adversity. Late 2013 and early 2014 were amongst the most difficult times we have faced as a company. We enter 2015 in a great position. Our operations are performing well and are more diverse than ever. Our dividend is growing and our payout ratio is falling. Our balance sheet is strong and we have access to the capital to not only grow our existing operations organically but to move quickly when the right acquisition opportunities are identified.

I want to take the time to thank our dedicated shareholders. 2014 was a challenging and volatile period for our share price. Some questioned the sustainability of not only our dividend but our business model as a whole and we are proud to have proven them wrong. Your confidence in us was fundamental to our success. We enter 2015 focused and invigorated. We are confident about the future and look forward to reporting our results to you.

Mike Pyle
Chief Executive Officer

CHAIRMAN'S MESSAGE

Hon. Gary Filmon, P.C., O.C., O.M.
Chairman, Board of Directors

From any perspective, 2014 was a watershed year for EIC. Challenges and opportunities arose throughout the course of the year that would test the resilience of our business model and the resolve of our senior management. The strength of our capital structure and our diversified portfolio of operating companies provided the flexibility and resources we needed to successfully guide the company through two nearly simultaneous major transactions that fundamentally refocused and improved EIC. These bold initiatives were supported by strong operating performance by our subsidiary companies which realized significant profitability increases as a direct result of past growth investments made in the businesses. Our improved financial performance, together with the accretive acquisition of Provincial Aerospace Ltd. early in 2015 and a solid capital structure enabled us to reward our shareholders with our 9th dividend increase since 2004.

Our consistent focus on the founding goals of diversification, discipline and dividends has created growing, dependable investment returns for our shareholders over our company's history. We recognized that the dramatic revenue increase that WesTower US experienced over the past 2.5 years had significantly altered the portfolio diversification we had diligently constructed over the last 11 years. In this context, when the opportunity arose to profitably divest our WesTower US ownership we were able to move quickly to successfully close the transaction while retaining the WesTower Canada operations.

With WesTower US profitably resolved, the fundamental strength of our diversified portfolio of companies reemerged. In 2014 our operating companies performed very well throughout the year with our Manufacturing segment producing consistent performance and our Aviation segment driving growth in Revenue, EBITDA and Free Cash Flow. In particular, our team at Regional One was able to identify and secure a growing pipeline of high margin opportunities across their global aviation industry network. Our other aviation companies, led by Calm Air, also generated strong year over year performance improvement despite harsh weather impacts early in the year and normal operating challenges within the segment. Our financial performance this year illustrates the strength of our diversification and the resilience of our portfolio of companies.

It is important to remember that the strength of our portfolio of companies did not happen by chance, but by a disciplined approach to acquisition that we have executed upon since our founding. This patient, disciplined approach to acquisitions led us to our largest acquisition to date: the approximately $246 million purchase of Provincial, which closed on January 2, 2015. With three distinct business units, Provincial Aerospace, Provincial Airlines and Provincial Aviation Services this acquisition is immediately accretive to our shareholders and brought with it the added benefits of further geographical, industry and customer diversification. This addition to the EIC family brings a stellar management team operating three semi-autonomous business units to our operating company portfolio. The Provincial Airlines group, which operates many of the same aircraft types as our existing airlines will significantly strengthen and expand our airlines group and will create further opportunities with Regional One. Provincial Airlines provides us immediate entry into the eastern Canadian regional aviation market in a leading market position with a well-known and well respected brand. Like our other aviation companies, Provincial has developed strong ties to the First Nations and Innu communities it serves.

Since the 1980's Provincial Aerospace has also been a pioneer and leader in the field of outsourced maritime patrol and surveillance. Working primarily for governments, the company is providing essential aerospace services and support to government agencies in the Caribbean, the Middle East as well as Canada.

Although it is in a different industry sector, Provincial Aerospace also has many of the scalable, global growth attributes we identified in Regional One.

The bold initiatives we undertook this year were, as always, supported by a rock solid balance sheet. Early in 2014 we augmented our capital structure with a new $40 million issue of convertible debentures. Early in 2015, following the acquisition of Provincial, we expanded our senior debt facility from $335 million to $450 million and welcomed two new banks to our lending syndicate. This expanded facility provides us with financial resources, "dry powder" in a phrase, to move quickly when acquisition or growth opportunities are identified.

The significant events of 2014 tested the resilience of our business model. Our ability to respond to the challenges we faced in 2014 is rooted in the underlying and inherent strength of our diversified portfolio of operating companies and the strength of our capital structure. There were a few vocal critics who questioned our business model and the sustainability of our enterprise. Our actions in 2014 makes it evident that we have successfully resolved the challenges we faced and have emerged stronger than ever, focused on creating value for our shareholders. Refocused and reinvigorated, we are once again looking forward to strong, sustained growth in 2015.

I would again like to thank our shareholders for their continued confidence in EIC during what was a volatile year for the share price. It is not easy to hear sustained criticism of an investment without having some doubts. We appreciate the resilience you've demonstrated in standing with us.

Hon. Gary Filmon, P.C., O.C., O.M.
Chairman, Board of Directors

"Our improved financial performance, together with the accretive acquisition of Provincial Aerospace Ltd. early in 2015 and a solid capital structure enabled us to reward our shareholders with our 9th dividend increase since 2004."

2004 PERIMETER

scheduled flight and cargo services into northern Manitoba from Winnipeg

2005 KEEWATIN AIR

medevac services from northern Manitoba and Nunavut into Winnipeg

JASPER TANK

truck and trailer-mount tanks used in the transportation of fluids, such as oil and gas

2006 OVERLANDERS MANUFACTURING

sheet metal and tubular steel products

2008 STAINLESS

stainless tanks, vessels and processing equipment

WATERBLAST

high pressure washer cleaning and steam systems

DECADE OF GROWTH

2009 **CALM AIR**

scheduled flight services from Winnipeg into northern Manitoba and Nunavut

2011 **BEARSKIN**

scheduled flight and cargo services in Manitoba and northwestern Ontario

WESTOWER CANADA

cell phone tower construction and installation across Canada

2012 **CUSTOM HELICOPTERS**

cargo shipment, forest fire suppression, maintenance overhaul and corporate transportaion

2013 **REGIONAL ONE**

sales of after-market aircraft engines and parts and leases of regional jets

2015 **PROVINCIAL AEROSPACE**

scheduled flight services in Atlantic Canada and Quebec; maritime surveillance solutions

We have purchased 12 operating companies over the past 10 years. Our acquisition strategy is designed to assemble a diversified portfolio of companies that operate in a variety of sectors and geographic regions, each with multiple customer types. We strive to make every acquisition accretive to our results on a per share basis, creating sustained value for shareholders.

REGIONAL ONE

Based in Miami, Florida, Regional One purchases, sells and leases aircraft, aircraft parts, engines and engine parts to regional and commuter airline operators worldwide.

REGIONAL ONE'S EBITDA CONTRIBUTIONS IN 2014

$29.6 MILLION

Regional One continued to experience tremendous growth in 2014, growing EBITDA by nearly 85% since acquisition to $29.6 million.

Regional One's success and growth have been accelerated through increased access to capital provided by the Corporation. This capital enabled Regional One to enter into an agreement in October 2014 to purchase 12 Bombardier CRJ700 aircraft from Lufthansa CityLine in 2015, the largest transaction in its history.

Regional One was primarily acquired to diversify the Corporation's revenue and cash flow by entering into new geographic and product markets. It has also acted as non-financial "hedge", offsetting aircraft parts and component costs incurred by the other Aviation segment operations.

Regional One's performance has consistently exceeded our expectations.

WESTOWER CANADA

EBITDA CONTRIBUTIONS IN 2014:

$10.8 MILLION

Although we divested ourselves of WesTower US in 2014, we retained WesTower Canada for a number of reasons.

WesTower Canada's financial performance has been very consistent. WesTower Canada remains the preeminent provider of cell tower services to all three of the major Canadian wireless companies, without any significant customer or regional concentration exposure.

The Canadian market continues to experience sustained growth as wireless carriers across the country continue to rollout 4G networks to meet the growing data capacity demands for assorted smart phones and wireless devices.

PROVINCIAL

PROVINCIAL AEROSPACE LTD ACQUISITION PRICE:

$246 MILLION

Provincial is our largest acquisition to date. The company operates three distinct businesses across the airline, aviation services and aerospace markets.

Its airline company, Provincial Airlines, has been in operation for more than 40 years, providing scheduled, charter and cargo services throughout Atlantic Canada and Quebec. Provincial also operates Innu Mikun airlines in partnership with the Innu First Nations of Labrador and operates fixed base operations in multiple locations.

Provincial Aerospace is a vertically integrated aerospace and defense company with a focus on mission systems integration, in-service support, surveillance operations and aircraft modifications.

PROVINCIAL AEROSPACE

Provincial's largest division provides maritime surveillance equipment and services to sovereign governments and private sector companies around the globe.

The world has become much more complex in recent years. Governments, in particular, are trying to secure their shores from threats of terrorism, violence and disease while containing security and defense budgets. Provincial has developed a series of innovative products and services designed to provide leading edge solutions for security and protection.

Provincial's customers extend beyond Canada and include the US Coast Guard, the Royal Dutch Navy and the UAE Air Force. It also provides iceberg monitoring and tracking services to the major off-shore oil and gas companies operating in Atlantic Canada.

We believe that as concerns about political and economic stability continue in the coming years, Provincial is perfectly positioned to capitalize on the growth opportunities as they assist countries addressing these challenges.

The UAE Armed Forces uses aircraft modified by Provincial to patrol the Persian Gulf.

Left to right: H.H. Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the United Arab Emirates Armed Forces; Keith Stoodley, Senior Vice President, Business Development & Government Relations , Provincial Aerospace Ltd.; Mike Pyle, CEO of Exchange Income Corporation; Brian Chafe, Chief Executive Officer, Provincial Aerospace Ltd.

MD&A + FINANCIALS

TABLE OF CONTENTS

February 19, 2015

Forward-Looking Statements

This report contains forward-looking statements. All statements other than statements of historical fact contained in this MD&A are forward-looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of or involving the Company or the businesses in which it has invested. Persons reading this MD&A can identify many of these statements by looking for words such as "believe", "expects", "will", "may", "intends", "projects", "anticipates", "plans", "estimates", "continues" and similar words or the negative thereof. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

By their nature, forward-looking statements require assumptions and are subject to inherent risks and uncertainties including those discussed in this report. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers of this report are cautioned to not place undue reliance on forward-looking statements made or incorporated by reference herein because a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to those risk factors set out in this report described in Section 12 – *Risk Factors of the MD&A*. We caution that the list of risk factors set out herein is not exhaustive and that when relying on forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this report are made as of the date of this report or such other date specified in such statement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MD&A") supplements the audited consolidated financial statements and related notes for the year ended December 31, 2014 ("Consolidated Financial Statements") of Exchange Income Corporation ("EIC" or "the Company"). All amounts are stated in thousands of Canadian dollars, unless otherwise noted and except per share information and share data.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements. This MD&A should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2014.

Discontinued Operations

As noted in Section 2 – *Overview*, during the fourth quarter, the Company sold the US operations of WesTower ("WesTower US"). As a result of this transaction, the Company's results are presented with the financial results of WesTower US segregated in the Company's statement of income as discontinued operations. This also includes the allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US and the net gain on disposition (collectively as "Discontinued Operations"). The comparative results also reflect this presentation and allow the reader to separate and differentiate the Company's subsidiaries, which continue to operate, from those of WesTower US. For the current period, the net assets of WesTower US have been removed from the balance sheet. In accordance with IFRS, the Company's comparative balance sheet for December 31, 2013 includes the net assets of WesTower US.

For the first and second quarter interim reporting of 2014, the Company changed to three reporting segments by presenting the overall results of WesTower into a segment called Infrastructure. During the third quarter, as a result of the negotiations to sell WesTower US, certain internal structural and reporting changes occurred. As a result, the Company will go back to reporting two operating segments and the Canadian operations of WesTower ("WesTower CDA") will be reported within the Manufacturing segment.

CRA Settlement

As noted in Section 2 – *Overview*, the Company announced on February 17, 2015, subsequent to the end of the 2014 year that it has entered into an agreement with the Canada Revenue Agency ("CRA") regarding the CRA's objection to the tax consequences of the conversion of EIC's income trust structure into a business corporation in July 2009. As a result of this settlement, the Company incurred a $22.9 million non-cash charge to deferred income taxes in 2014 representing the write-off of certain loss carryforwards that the Company previously recorded as deferred tax assets. The Company has been proactive with the CRA in order to resolve this issue, and the agreement gives EIC a satisfactory ending to an important chapter with no cash outlay for prior periods. Going forward the Company will not have the use of tax pools that accompanied the conversion and as a result will incur higher cash taxes.

Series I Convertible Debentures Early Redemption

Subsequent to the end of 2014, the Company announced on February 19, 2015 that it was exercising its right to call the Series I convertible debentures. These convertible debentures will be repaid on April 15, 2015 using funds from the Company's credit facility. The principal value of these convertible debentures is currently $34.9 million as of the date of this report.

1. Financial Highlights

The financial highlights for the Company for the periods indicated are as follows.

For the year ended December 31	2014	Per share basic	Per share fully diluted	2013	Per share basic	Per share fully diluted
Financial Performance						
Revenue	$ 542,503			$ 509,052		
EBITDA	94,278			81,780		
Net earnings (loss) from continuing operations	(11,625)	$ (0.53)	$ (0.53)	10,599	$ 0.50	$ 0.49
Adjusted net earnings from continuing operations[1]	14,797	0.67	0.66	13,112	0.61	0.61
Net earnings	8,255	0.37	0.37	8,984	0.42	0.42
Free Cash Flow	76,980	3.48	2.96	64,372	3.00	2.65
Free Cash Flow less maintenance capital expenditures	35,119	1.59	1.55	27,061	1.26	1.26
Dividends declared	37,424	1.69		35,889	1.68	
Financial Position	December 31, 2014			December 31, 2013		
Working capital	$ 95,784			$ 256,646		
Capital assets	364,914			331,351		
Total assets	715,103			961,372		
Senior debt	17,743			220,247		
Equity	299,593			305,826		
Share Information	December 31, 2014			December 31, 2013		
Common shares outstanding	22,507,341			21,752,400		

(1) As defined in Section 14 – *Non-IFRS Financial Measures*, the Company's adjusted net earnings from continuing operations includes an add back for the non-cash deferred tax expense of $22.9 million incurred in 2014 (2013 – $nil) as a result of the settlement that the Company made with the CRA on certain deferred tax assets associated with the conversion of the Company to a corporation from an income trust in 2009.

2. Overview

Exchange Income Corporation

The Company is a diversified, acquisition-oriented corporation focused on opportunities in two sectors: aviation services and equipment, and manufacturing. In particular the Company focuses on businesses that are suited for public markets, except, in certain circumstances, for their size. The business plan of the Company is to invest in profitable, well-established companies with strong cash flows operating in niche markets. The objectives of the Company are:

(i) to provide shareholders with stable and growing dividends;

(ii) to maximize share value through on-going active monitoring of its operating subsidiaries; and

(iii) to continue to acquire additional companies or businesses or interests therein in order to expand and diversify the Company's investments.

Subsequent Announcement: Acquisition – Provincial Aerospace Ltd

The Company announced on November 12, 2014, that it signed a stock purchase agreement to acquire the shares of Provincial Aerospace Ltd. ("Provincial"), a Canadian owned corporation based out of St. John's, Newfoundland. Provincial was founded in 1972 and operates three distinct business units, a scheduled airline, fixed base operations and aerospace. Provincial operates its fixed wing scheduled service in Newfoundland and Labrador, Quebec, New Brunswick and Nova Scotia providing approximately 210 scheduled flights weekly as well as charter services across the territory. The aerospace business designs, modifies, maintains and operates custom sensor equipped aircraft. It has maritime surveillance and support operations in Canada, the Caribbean and the Middle East. Provincial operates a total of 30 aircraft. The scheduled operations business has a fleet primarily comprised of Dash 8's and Twin Otters and the aerospace business operates various aircraft types for multiple customers.

The transaction closed on January 2, 2015. The Company paid a total price of approximately $246 million, subject to customary post-closing adjustments, of which approximately 5% was paid through the issuance of 523,188 common shares of EIC. The balance, or approximately $234 million, was financed through the Company's unutilized credit facility. The Company's results for 2014 do not include any financial results of Provincial's operations. Financial results of Provincial's operations will be included in the Company's results starting in the first quarter of 2015.

The acquisition is expected to be immediately accretive to the Company's key financial metrics, including EBITDA, cash flows, earnings per share and Free Cash Flow. The acquisition allows us to further diversify our revenue streams and cash flow by entering new product and geographical markets. Provincial's maritime surveillance and support operations, which constitute the largest segment of Provincial's operations, are a new niche market that the Company's existing Aviation segment entities do not operate in and the revenue streams come from several different geographic areas around the world. As a result, the addition of Provincial further diversifies the cash flows generated by the Company.

Subsequent Announcement: CRA Settlement

The Company announced that it has entered into an agreement with the CRA regarding the CRA's objection to the tax consequences of the conversion of EIC's income trust structure into a business corporation in July 2009. The agreement will not give rise to any cash outlay by the Corporation for prior taxation years. The agreement results in a non-cash charge in the Company's consolidated net earnings for the 2014 year related to the write-off of certain of the Company's deferred tax assets. The Company has been proactive with the CRA in order to resolve this issue, and the agreement gives EIC a highly satisfactory ending to an important chapter.

Divestiture – WesTower Communications Inc

On October 20, 2014, the Company sold the US operations of WesTower. This is the first divestiture that the Company has completed in its history. The Company acquired WesTower US along with WesTower CDA in April 2011. At that time, WesTower US had operational revenues of approximately US$100 million. At the end of 2011, WesTower US entered into a turfing contract with AT&T and the US operations of WesTower grew approximately 400% since the start of the contract. With the rapid growth of WesTower US and a significant proportion of operations tied to one customer, the Company was no longer effectively diversified. The sale to MasTec Network Solutions, LLC ("MasTec") for approximately US$200 million enabled the Company to rebalance the portfolio of subsidiary operations, while providing access to capital to fund other acquisition opportunities.

As a result of this transaction, the Company's results are presented with discontinued operations, which include the operational results of WesTower US, the allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US and the net gain on disposition. The results of the Company without the Discontinued Operations are reflective of the operations of the Company without WesTower US. The Company recorded a gain on the sale of the Discontinued Operations of $0.74 per share from the transaction. It will be finalized with the settlement of the transaction's customary purchase price adjustments. The Company expects to have the purchase price adjustments settled in the first half of 2015.

Segment Summary

For the first and second quarter interim reporting of 2014, the Company changed to three reporting segments by presenting the overall results of WesTower in a segment called Infrastructure. During the third quarter, as a result of the decision to sell WesTower

US, certain internal structural and reporting changes occurred. As a result, the Company returned to reporting two operating segments with WesTower CDA reported within the Manufacturing segment.

The Company's reportable business segments are strategic business units that offer different products and services. The Company has two reportable business segments: Aviation and Manufacturing:

(a) Aviation – providing scheduled airline and charter service and emergency medical services to communities located in Manitoba, Ontario, Nunavut and Alberta, operated by *Calm Air, Perimeter, Keewatin, Bearskin, Custom Helicopters,* and other aviation supporting businesses. *Regional One* is focused on supplying regional airline operators around the world with various after-market aircraft, engines, and component parts; and

(b) Manufacturing – providing a variety of manufactured goods and related services in a variety of industries and geographic markets throughout North America. The Canadian operations of *WesTower CDA* are focused on the engineering, design, manufacturing and construction of communication towers. *Stainless* manufactures specialized stainless steel tanks, vessels and processing equipment. The *Alberta Operations* specializes in the manufacturing of specialized heavy duty pressure washing and steam systems as well as manufactures custom tanks for the transportation of various products, primarily oil, gasoline and water. The Alberta Operations are also the exclusive distributor in Alberta, British Columbia, the Northwest Territories, south-eastern Saskatchewan, and North Dakota for Hotsy pressure washing cleaning equipment, which is used for a variety of light commercial and industrial applications. *Overlanders* manufactures precision sheet metal and tubular products.

The operating subsidiaries of the Company ("Subsidiary" or "Subsidiaries") operate autonomously and maintain their individual business identities. Management of the Company continuously monitors the operating subsidiaries, and will undertake future acquisitions and divestitures as deemed beneficial to the Company.

Prior Year's Acquisitions

The following acquisitions were made by the Company during the year ended December 31, 2013:

Regional One

The Company announced on February 28, 2013 that it had signed a stock purchase agreement to acquire the shares of Regional One and closed the acquisition on April 12, 2013. Regional One is a leading provider of aircraft and engine aftermarket parts to regional airline operators around the world.

The acquisition price was US$88.8 million ($89.9 million) and was funded through a combination of US cash, the issuance of the Shares and the recognition of consideration liabilities for future payments. The remaining consideration liability outstanding at December 31, 2014 consists of certain tax related liabilities owing to the vendors. Additionally, there are 350,567 Shares of the Company that were issued into escrow at the time of acquisition and relate to the retention of the vendor as CEO. These remaining Shares are anticipated to be settled and released from escrow evenly each of the next four anniversaries of closing the acquisition.

The acquisition has been immediately accretive to the Company's key financial metrics, including EBITDA, cash flows, earnings per share and Free Cash Flow. The acquisition allows us to further diversify our revenue streams and cash flow by entering new product and geographical markets. In addition, the acquisition provides a proxy for vertical integration into one of the major expense categories of our aviation segment, in essence providing a hedge against price increases in aircraft and parts. Over the five years prior to its acquisition, Regional One has had an annual average growth rate of 25%. Since acquisition Regional One has consistently exceeded our targeted return on invested capital. Consistent with the Company`s traditional acquisition criteria, Regional One was acquired because it operates in a niche portion of a large industry with identifiable and defensible barriers to entry and has a solid management team in place with extensive industry expertise. Prior to being acquired Regional One had established a worldwide market presence that provided a platform for further growth while immediately fostering diversification of the Company's cash flows by bringing with it new geographical markets.

The Company's results include financial results of Regional One's operations subsequent to the closing date early in the second quarter of 2013. The Company incurred acquisition costs of $1.7 million during fiscal 2013, of which a large portion was associated with the acquisition of Regional One.

3. Key Performance Indicators

The following section will quantify and analyze the key performance indicators of the Company. The Company continually monitors and evaluates its metrics and updates these metrics as required to ensure they provide information considered most useful in any decision-making based on the Company's performance.

The dividends declared by the Company to its shareholders are dependent on its cash flow from operating activities with consideration for changes in working capital requirements, investing activities and financing activities of the Company. The EBITDA, Free Cash Flow, and Free Cash Flow less maintenance capital expenditures generated from operations are important performance measures that are used by management to evaluate the performance of the Company.

This discussion is directed at the continuing operations of the Company, which excludes WesTower US as a result of the sale of those operations in October 2014 (see Section 2 – *Overview*). As a result of that event, the results of WesTower US are presented within Discontinued Operations, which include the operational results of WesTower US, an allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US and the net gain on disposition. The Company allocated interest expense to Discontinued Operations representing the portion of interest expense related to the Company's senior credit facility that was repaid as a result of the transaction. For the period in 2014 up to the October 20, 2014 transaction closing date, the Company allocated cash interest expense of $4.7 million (2013 – $3.6 million). The results of the Company aside from the Discontinued Operations are reflective of the operations of the Company without WesTower US ("Continuing Operations").

EBITDA from Continuing Operations

The following reconciles net earnings before income tax to EBITDA from continuing operations. Further discussion and analysis on the EBITDA results for the periods can be found in Section 4 – *Analysis of Operations*.

Year Ended December 31,	2014	2013
Earnings from continuing operations before income taxes	$ 20,775	$ 19,092
Depreciation and amortization	50,481	44,358
Finance costs — interest	21,493	17,712
Acquisition costs	880	1,669
Consideration liability fair value adjustment	(651)	(1,051)
Impairment and restructuring	1,300	–
	$ 94,278	$ 81,780

The EBITDA generated by the Company's continuing operations during the current year was $94.3 million, an increase $12.5 million or 15% over the comparative year. The increase is the result of a 23% increase in the EBITDA of the Aviation segment, while the Manufacturing segment performance was in line with the prior year. This was achieved in large part because of the performance at Regional One and Calm Air, as both realized the benefits of previously made growth capital expenditures. The significant improvement in the Aviation segment was achieved in spite of the detrimental weather conditions for operations, which reduced demand for passenger travel and fire suppression and evacuation services. These operating results are slightly offset by higher costs at head office.

Free Cash Flow from Continuing Operations

Year Ended December 31,	2014	2013
Cash flows from operations	$ 99,832	$ (6,365)
Change in non-cash working capital items	(20,923)	69,829
Acquisition costs	880	1,669
Impairment and restructuring	1,300	—
Discontinued operations	(4,109)	(761)
	$ 76,980	$ 64,372
Per share – Basic	$ 3.48	$ 3.00
Per share – Fully Diluted	$ 2.96	$ 2.65

The Free Cash Flow generated by the Company's continuing operations for the 2014 year was $77.0 million, an increase of $12.6 million or 20% over the comparative year. The change in Free Cash Flow is the result of a number of factors but primarily as a result of the increase in EBITDA generated by the Company.

Offsetting the additional EBITDA generated by the Company in the current year is additional cash interest incurred on the Company's convertible debentures. The March 2013 convertible debenture offering was outstanding only for a portion of the comparative year and the most recent convertible debenture offering from March 2014 has no comparative impact. As a result of these two offerings, the Company incurred additional cash interest of $2.9 million in the current year.

The Company's cash taxes from continuing operations decreased by $3.3 million in the current year and as a result improved the Free Cash Flow of the Company. The change in cash taxes can be attributed to variations in income in the jurisdictions in which we operate and also the impact of the Discontinued Operations presentation for WesTower US. See Section 4 – *Analysis of Operations* for a discussion on the change in the taxes incurred by the Company's continuing operations.

Included in EBITDA, but excluded from Free Cash Flow, is $1.3 million of net gains on disposals of capital items. On the Statement of Cash Flow, the net gain is treated outside of cash flows from operating activities and is part of the disposal proceeds of capital assets. The comparative period included net gains of $1.1 million, a change of $0.2 million.

The Company excludes the restructuring costs of $1.3 million relating to the Bearskin operations in deriving Free Cash Flow recorded during 2014. This is included as part of the cash flows from operating activities and is therefore an add-back within the Free Cash Flow calculation. As well, the Company excludes acquisition costs from the Company's Free Cash Flow.

On a basic per share basis, the increase in absolute Free Cash Flow contributed to the increase in per share amounts and was partially offset by the higher number of Shares outstanding. The combined impact resulted in Free Cash Flow of $3.48 per share for the 2014 year, an increase of $0.48 per share or 16% over the comparative year. Details around the increase in Shares outstanding can be found in Section 7 – *Liquidity and Capital Resources*. For similar reasons, the Company's fully diluted Free Cash Flow per share was $2.96 for the 2014 year, an increase of $0.31 per share or 12% over the comparative year. There was dilution coming from recently issued and outstanding convertible debentures. The March 2013 convertible debentures were issued part way through the comparative year and convertible debentures issued in March 2014 have no comparative.

Free Cash Flow Less Maintenance Capital Expenditures from Continuing Operations

Year Ended December 31,	2014	2013
Free Cash Flow	$ 76,980	$ 64,372
Maintenance Capital Expenditures	41,861	37,311
	$ 35,119	$ 27,061
Per share – Basic	$ 1.59	$ 1.26
Per share – Fully Diluted	$ 1.55	$ 1.26

The Free Cash Flow less maintenance capital expenditures generated by the Company's continuing operations for the 2014 year was $35.1 million, an increase of $8.1 million or 30% over the comparative year. The increase is due to the increase in Free Cash Flow as described above, offset by the $4.6 million or 12% increase in maintenance capital expenditures, which is described in detail in the Capital Expenditures section.

It is important to understand that as a result of reporting under IFRS, maintenance capital expenditures fluctuate from period to period with variability as described further in the Capital Expenditures section. As a result of the variability in the maintenance capital expenditures under IFRS, Free Cash Flow is a better metric than Free Cash Flow less maintenance capital expenditures as a measure of ongoing operating performance. Maintenance capital expenditures are variable under IFRS because overhaul maintenance for aircraft engines and airframe heavy checks that were previously accrued in advance are treated as capital expenditures when the event takes place under IFRS. Free Cash Flow less maintenance capital expenditures is still an important operating metric; however, it will be subject to lumpy quarterly and annual changes as a result of the maintenance capital expenditures and therefore needs to be evaluated over longer operating periods.

On a basic per share basis, the increase in absolute Free Cash Flow less maintenance capital expenditures contributed to the increase in per share amounts and was partially offset by the higher base of the Company's Shares outstanding. The combined impact resulted in Free Cash Flow less maintenance capital expenditures of $1.59 per share for the 2014 year, an increase of $0.33 per share or 26% over the comparative year (fully diluted $1.55, increase of $0.29 or 23%). Details around the increase in Shares outstanding can be found in Section 7 – *Liquidity and Capital Resources*. There is additional downward impact coming from recently issued and outstanding convertible debentures. The March 2013 convertible debentures were issued part way through the comparative year and convertible debentures issued in March 2014 have no comparative.

Capital Expenditures from Continuing Operations

Year Ended December 31,	2014	2013
Cash maintenance capital expenditures	$ 41,124	$ 36,415
add: finance lease principal payments	1,319	1,592
less: discontinued operations maintenance capital expenditures	(582)	(696)
Maintenance capital expenditures for continuing operations	41,861	37,311
Growth capital expenditures	43,223	44,104
less: discontinued operations growth capital expenditures	(651)	(4,744)
	$ 84,433	$ 76,671
Maintenance capital expenditures per share — Basic	$ 1.89	$ 1.73
Growth capital expenditures per share — Basic	1.92	1.83
Total capital expenditures per share — Basic	$ 3.81	$ 3.56

Maintenance Capital Expenditures from Continuing Operations

Total maintenance capital expenditures for the Company's continuing operations in 2014 were $41.9 million, a 12% increase from the comparative year. The majority of the expenditures occurred in the Aviation segment, as it spent $39.4 million versus the $2.4 million spent in the Manufacturing segment and $0.1 million spent at head-office with the growth of its group.

Within the Aviation segment, Regional One's maintenance capital expenditures were $7.6 million. The comparable period in 2013 totaled $4.0 million as a result of Regional One being acquired part way through the comparative period, as well as the growth in their lease portfolio since acquisition. Regional One's maintenance capital expenditures consist of the additions required in order to maintain the lease portfolio at its existing operating level. Additions above this amount are considered to be growth capital expenditures for Regional One. The transportation entities within the Aviation segment's maintenance capital expenditures were relatively flat year over year and are made up primarily of aircraft related maintenance expenditures, which totaled $30.3 million during the current period. The remaining maintenance capital expenditures of $1.5 million include building maintenance and other equipment purchases. Bearskin's maintenance capital expenditures decreased by $3.0 million from the comparative year, attributable to the restructuring plan implemented earlier in 2014. Overall, it is not expected that the Aviation segment's maintenance capital expenditures will always be directly comparable period over period due to the nature and timing of aircraft events, which make up the majority of the maintenance capital expenditures. Manufacturing maintenance capital expenditures were relatively flat year over year.

Growth Capital Expenditures from Continuing Operations

Total growth capital expenditures for the Company's continuing operations in 2014 were $42.6 million an increase of $3.2 million over the comparative year. The majority of the growth capital expenditures were in the Aviation segment totaling $40.5 million versus the $2.1 million spent in the Manufacturing segment.

The Company continues to grow the lease portfolio of Regional One and, as a result, incurred $28.0 million of net growth capital expenditures composed of gross purchases of $36.6 million, which include both aircraft and engines being added to Regional One's lease portfolio, net of disposals from sales of $8.6 million. The aircraft purchases included two CRJ-700 aircraft for a total of $12.8 million through the acquisitions of two leasing holding companies. Calm Air incurred expenditures of $5.1 million on the ATR-72 that went on line into operations in the second quarter and spare engines and equipment to support recent aircraft additions. In addition, Calm Air spent $2.9 million, net of insurance proceeds, on an ATR-72 aircraft that went on line into operations in the fourth quarter. Other growth capital expenditures include avionics equipment, an additional hangar in northern Manitoba for the rotary wing and cargo operations. In the Manufacturing segment, an investment was made in a powder coating facility to develop in-house paint capabilities to support Overlanders' precision metal business.

Dividends & Payout Ratio from Continuing Operations

The amounts and record dates of the dividends declared during the year ended December 31, 2014 and the comparative period in 2013 were as follows:

Month	Record date	Per Share	2014 Dividends Amount	Record date	Per Share	2013 Dividends Amount
January	January 31, 2014	$ 0.14	$ 3,039	January 31, 2013	$ 0.14	$ 2,901
February	February 28, 2014	0.14	3,043	February 28, 2013	0.14	2,905
March	March 31, 2014	0.14	3,054	March 29, 2013	0.14	2,911
April	April 30, 2014	0.14	3,080	April 30, 2013	0.14	2,985
May	May 30, 2014	0.14	3,097	May 31, 2013	0.14	3,011
June	June 30, 2014	0.14	3,100	June 28, 2013	0.14	3,016
July	July 31, 2014	0.14	3,103	July 31, 2013	0.14	3,019
August	August 29, 2014	0.14	3,112	August 30, 2013	0.14	3,023
September	September 30, 2014	0.14	3,134	September 30, 2013	0.14	3,026
October	October 31, 2014	0.14	3,138	October 31, 2013	0.14	3,030
November	November 28, 2014	0.145	3,260	November 29, 2013	0.14	3,031
December	December 31, 2014	0.145	3,264	December 31, 2013	0.14	3,031
Total		$ 1.69	$ 37,424		$ 1.68	$ 35,889

Dividends for the current year totaled $37.4 million, an increase of $1.5 million or 4% from the comparative year. The increase in 2014 was a result of two factors: an increase in the number of Shares outstanding; and the Company increased the monthly dividend rate per share by $0.005 (4% increase) for the last two months of 2014. The monthly dividend rate for all of 2013 and for the first ten months of 2014 was $0.14 per share before increasing to $0.145 per share. The dividends per share for the current year totaled $1.69, an increase of $0.01 per share over the comparative year.

The Company compares the dividends declared in the period to the amount of cash flows generated by the Company in that period to determine a payout ratio. The dividends declared by the Company are presented as financing activities within the Company's Statement of Cash Flows whereas Free Cash Flow and Free Cash Flow less maintenance capital expenditures, as defined, are driven from the Company's operating activities and exclude dividends. The payout ratio provides an indication of the Company's ability to generate sufficient funds from its operations to pay its dividends to shareholders. Normal seasonality factors can negatively impact these payout ratios during the beginning of each year as the Company's Aviation segment is impacted by winter roads and all operations are impacted by generally poorer weather conditions. As the year continues the payout ratios traditionally get stronger beyond the seasonally weak first quarter as seasonality factors normally improve financial results of the Company.

The following compares the Company's continuing operations Free Cash Flow and Free Cash Flow less maintenance capital expenditures on a per share basis as a percentage of the Company's dividends declared on a per share basis during the current year and the comparative.

Payout Ratios for the Company's continuing operations Year Ended December 31,	2014	Per share basic	Per share fully diluted	2013	Per share basic	Per share fully diluted
Free Cash Flows		49%	57%		56%	63%
Free Cash Flows less maintenance capital expenditures		106%	109%		134%	134%

All of the Company's payout ratios from continuing operations for the current year improved over 2013. All of them exclude the Discontinued Operations of WesTower US. The improvement is the result of better performance by the Company's continuing operations and takes into account that the Company increased its monthly dividend in the fourth quarter of 2014. The basic per share payout ratio for Free Cash Flow for the 2014 year is 49% (2013 – 56%). The improvement is reflective of the growth capital invested in previous periods, in particular at Regional One and Calm Air.

The payout ratio of Free Cash Flow less maintenance capital expenditures from the Company's continuing operations for 2014 is 106%. A payout ratio over 100% is the direct result of the Company's capital structure from continuing operations having virtually no senior debt. This structure provides no leverage and is very punitive to the per share results. This is no longer an issue as a result of the Provincial acquisition on January 2, 2015, providing the Company with a more appropriate level of leverage thus significantly improving the per share results.

The Company's Board of Directors regularly examines the dividends paid to shareholders. This resulted in a dividend increase in November 2014, as the addition of Provincial's diverse operations and significant cash flows, combined with recent operating results, support the Company's ability to grow and sustain its Free Cash Flow.

Fourth Quarter Key Performance Indicators

For the Company's continuing operations Three months ended December 31,	2014	Per share basic	Per share fully diluted	2013	Per share basic	Per share fully diluted
EBITDA	$ 26,151			$ 24,322		
Free Cash Flow	22,480	$ 1.00	$ 0.84	17,830	$ 0.82	$ 0.69
Payout ratio		43%	51%		52%	62%
Free Cash Flow less maintenance capital expenditures	11,718	0.52	0.50	6,511	0.30	0.30
Payout ratio		83%	86%		143%	143%
Dividends Declared	9,662	0.43		9,092	0.42	

The EBITDA generated by the Company's continuing operations for the fourth quarter of 2014 was $26.2 million, an increase of $1.8 million or 8% over the comparative period. The items impacting the EBITDA generated in the current period are described in Section 6 – *Review of Fourth Quarter Results*. Overall the increase can be attributed to the additional EBITDA generated by the Aviation segment, in particular at Calm Air and Regional One. Together these two entities contributed an additional $3.1 million of EBITDA in the current period.

The Free Cash Flow generated by the Company's continuing operations for the fourth quarter of 2014 was $22.5 million, an increase of $4.7 million or 26% over the comparative period. Consistent with the discussion for the full year, the increase in EBITDA generated in the current period was the main factor in the increase in Free Cash Flow. Included in the comparative period's EBITDA were net gains on the disposal of capital items in that period, but these types of gains are ignored within the Company's Free Cash Flow calculation. The Company's net gains on the disposal of capital items in the current period are nil and as a result the change in EBITDA impacting Free Cash Flow is higher by the $0.7 million of net gains in the 2013 period. Cash taxes on the Company's Continuing Operations decreased by $3.1 million and contributed to higher Free Cash Flow in the current period. Cash interest incurred on Company's credit facility and convertible debentures was higher in the current period by $0.8 million and had a negative impact partially offsetting the other items noted.

On a basic per share basis, the increase in absolute Free Cash Flow contributed to the increase in per share amounts and was partially offset by the higher number of Shares outstanding. The combined impact resulted in Free Cash Flow of $1.00 per share for the fourth quarter of 2014, an increase of $0.18 per share or 22% over the comparative period. Details around the increase in Shares outstanding can be found in Section 7 – *Liquidity and Capital Resources*. For similar reasons, the Company's fully diluted Free Cash Flow per share was $0.84 for the fourth quarter of 2014, an increase of $0.15 per share or 22% over the comparative period. There is additional downward impact coming from the convertible debentures issued in March 2014 that have no comparative.

The Free Cash Flow less maintenance capital expenditures generated by the Company for the fourth quarter of 2014 was $11.7 million, an increase of $5.2 million or 80% over the comparative period. The increase is due to the increase in Free Cash Flow as described above compounded by a decrease in maintenance capital expenditures of $0.5 million or 5%, which is described further below.

On a basic per share basis, Free Cash Flow less maintenance capital expenditures for the fourth quarter of 2014 increased to $0.52 ($0.50 fully diluted) in comparison to $0.30 ($0.30 fully diluted) in the 2013 comparative. The increase of 67% (63% fully diluted) is due to the higher levels of Free Cash Flow less maintenance capital expenditures generated by the Company offset by an increased base of Shares outstanding for the Company during 2014. The maintenance capital expenditure component of this metric accounted for the $0.48 per share decrease from Free Cash Flow. The maintenance capital expenditures impact for the comparable period in 2013 was $0.52 per share.

The Company's continuing operations invested $30.9 million in capital expenditures net of disposals in the fourth quarter of 2014 (2013 – $22.0 million from continuing operations). Of this amount, $10.8 million was classified as maintenance capital expenditures for the Company (2013 – $11.3 million) with the balance of $20.1 million classified as growth capital expenditures (2013 – $10.7 million from continuing operations). Maintenance capital expenditures decreased primarily at Perimeter due to the unusual amount of unscheduled events that occurred in the comparative period, as well as Bearskin decreasing, attributable to the restructure plan implemented earlier in 2014. As discussed in the Capital Expenditure section, the timing of the Aviation segment's maintenance capital expenditures can vary from one period to the next given the timing of maintenance events.

Growth expenditures for the fourth quarter of 2014 include net expenditures of $16.5 million on aircraft and engines being added to Regional One's lease portfolio, additional modifications to the ATR-72 aircraft that went on line into operations at Calm Air in the fourth quarter, and avionics equipment.

The dividends declared for the fourth quarter of 2014 totaled $9.7 million, which is an increase of $0.6 million or 6% over the 2013 comparative period. This is mainly a result of the increased number of Shares outstanding which received dividends; however, it is also a result of the total dividends declared per share increasing by $0.01 to $0.43 for the fourth quarter of 2014. The Company announced a 4% dividend increase of $0.005 per share per month that was effective for the November and December dividends in 2014.

The payout ratio for the Company's Free Cash Flow less maintenance capital expenditures for the fourth quarter of 2014 was 83% basic (86% fully diluted), a significant improvement from 143% basic and fully diluted in the comparative period.

4. Analysis of Operations

The following section analyzes the financial results of the Company's operations for the year ended December 31, 2014 and the comparative 2013 period.

Year Ended December 31, 2014	Aviation	Manufacturing	Head Office[2]	Consolidated
Revenue	$ 339,084	$ 203,419	$ —	$ 542,503
Expenses[1]	259,562	177,784	10,879	448,225
EBITDA	79,522	25,635	(10,879)	94,278
Depreciation and amortization				50,481
Finance costs - interest				21,493
Acquisition costs				880
Consideration liability fair value adjustment				(651)
Impairment and restructuring				1,300
Earnings before tax				20,775
Current income tax expense				788
Deferred income tax expense				31,612
Net loss from continuing operations				(11,625)
Net earnings from discontinued operations				19,880
Net earnings				$ 8,255

Year Ended December 31, 2013	Aviation	Manufacturing	Head Office[2]	Consolidated
Revenue	$ 313,214	$ 195,838	$ —	$ 509,052
Expenses[1]	248,492	170,082	8,698	427,272
EBITDA	64,722	25,756	(8,698)	81,780
Depreciation and amortization				44,358
Finance costs - interest				17,712
Acquisition costs				1,669
Consideration liability fair value adjustment				(1,051)
Earnings before tax				19,092
Current income tax expense				4,097
Deferred income tax expense				4,396
Net earnings from continuing operations				10,599
Net loss from discontinued operations				(1,615)
Net earnings				$ 8,984

Note 1) Expenses include aviation expenses (excluding depreciation and amortization), manufacturing expenses (excluding depreciation and amortization) and general and administrative expenses, but it excludes any unusual non-operating one-time items.

Note 2) Head-office is not a separate reportable segment. It includes expenses incurred at the head-office of the Company and is presented for reconciliation purposes.

As noted in Section 2 – *Overview*, during the fourth quarter of 2014 the Company closed the sale of WesTower US. As a result of this transaction, the Company's results are presented with the financial results of WesTower US segregated in the Company's statement of income as Discontinued Operations, including an allocation of certain costs incurred in the consolidated entity from supporting the operations of WesTower US and the net gain on disposition. The comparative results also reflect this presentation but the net gain is only a 2014 transaction event. The operations of WesTower CDA are included in the Manufacturing segment. The net earnings for Discontinued Operations is discussed further below.

The 2014 results also include the non-cash charge to deferred income taxes as a result of the settlement the Company made with the CRA for the removal of certain tax pools that the Company obtained with its conversion from an income trust to a corporation in 2009. The impact of this charge is discussed further below.

Aviation Segment

Year Ended December 31,	2014	2013	Variance	Variance %
Revenue	$ 339,084	$ 313,214	$ 25,870	8%
Expenses	259,562	248,492	11,070	4%
EBITDA	$ 79,522	$ 64,722	$ 14,800	23%

The revenue of the Aviation segment for the current year was $339.1 million, an increase of $25.9 million or 8% over the comparative year. The growth in revenue is primarily attributed to the strong results of Regional One and Calm Air and is the direct result of the growth capital expenditure invested in both of these entities. The acquisition of Regional One in April 2013, with no comparative for the first quarter, combined with increases since acquisition in the leasing and parts revenue streams, positively impacted results. This resulted in an 89% increase in revenue (78% in US dollars) at Regional One. Revenue growth was achieved notwithstanding several challenges experienced by the Aviation segment. Downward pressure on revenue from unfavourable weather conditions and the substantial reduction in Bearskin's passenger service as a result of the restructuring in the second quarter of 2014 negatively impacted revenue. Unfavourable weather factors resulted in reduced demand for certain aviation transportation services in the first three quarters of 2014. The aviation services affected include: fire suppression and evacuation services, passenger services, cargo services, including reduced demand for transportation of fuel and other commodities. As discussed in prior quarters' MD&A, the other significant revenue reduction was the direct result of the restructuring of Bearskin's operations, which resulted in a 33% decrease from the comparable period. The restructuring initiative implemented at Bearskin eliminated certain non-profitable routes thereby reducing revenue, but improving EBITDA margin.

The EBITDA generated by the Aviation segment for the year ended was $79.5 million, an increase of $14.8 million or 23% over the comparative year. EBITDA margins were 23.5% in 2014 compared to 20.7% in 2013. Consistent with the revenue commentary, Regional One and Calm Air were the primary EBITDA contributors generating improvements of 99% and 77%, respectively, over the comparative year. These improvements were partly offset by reductions in the other Aviation segment transportation entities.

The EBITDA margin improvement is partly attributable to Regional One's revenue growth, which yields higher margins than those historically experienced in the Aviation transportation entities. EBITDA margin in the Aviation segment transportation entities improved from the comparative year as revenue decreases were more than offset by expense reductions resulting in higher margins. Margins were positively impacted by cost reductions from the implementation of Calm Air's fleet rationalization plan; cost reductions associated with the implementation of Bearskin's restructuring plan, as well as cost reductions from the realignment of certain northern Manitoba scheduled services among different airlines within the segment thereby reducing flight hours with no corresponding reduction in revenue. The reduction in fire suppression and evacuation services, which typically have higher margins than other aviation transportation services, negatively impacted EBITDA and EBITDA margins but these were offset by the improvements from Calm Air and Bearskin noted above. Despite environmental and competitive challenges negatively impacting the Aviation segment in 2014, the segment's management teams were able to respond with resilience, delivering improved EBITDA and EBITDA margin in both Regional One and the segment's transportation entities.

Manufacturing Segment

Year Ended December 31,	2014	2013	Variance	Variance %
Revenue	$ 203,419	$ 195,838	$ 7,581	4%
Expenses	177,784	170,082	7,702	5%
EBITDA	$ 25,635	$ 25,756	$ (121)	0%

The revenue of the Manufacturing segment for the current year was $203.4 million, an increase of $7.6 million or 4% over the comparative year. The majority of the operating companies in the segment contributed to the increase in revenue. The operations of WesTower CDA continued to show strong demand throughout the year with increases in revenues occurring primarily at the beginning of the year as a result of increased demand in the eastern Canadian market. The Alberta Operations grew more evenly throughout the year taking advantage of higher volumes in its equipment sales. However the drop in oil and natural gas prices near the end of the year started to negatively impact demand in the northern Alberta oil and gas markets. The operations of Overlanders also took advantage of high demand coming from its major customers and as a result were able to grow its revenues by 12% in 2014 over the comparative year. Offsetting the increases noted for the rest of the segment, Stainless experienced an atypical year of operations with no large size field work projects. The absence of all but a few field work projects has not occurred since Stainless became a part of the Company several years ago and isn't anticipated to continue. As a result, the revenue of Stainless decreased in 2014 by 5% with Stainless processing a higher than normal level through its shop operations, offsetting the dearth of large size field work.

The EBITDA generated by the Manufacturing segment for the current year was $25.6 million, which is effectively unchanged to the comparative year. WesTower CDA drove the largest portion of the increase in revenues but traditionally generates the lowest EBITDA margins in the segment. WesTower's 2014 results were also negatively impacted by the harsh winter conditions that impacted the first quarter when most of its increase in revenue was generated. The higher volumes in both the Alberta Operations and Overlanders also generated additional EBITDA for the segment and provided those operations with the opportunity to improve their overall margins. The absence of all but a few field work projects together with a higher volume of jobs processed through its shop resulted in a significant reduction in Stainless' EBITDA in 2014 as shop work is at lower margins than field work. This reduction of EBITDA basically offset all of the EBITDA improvements in the rest of the segment.

Strong operating company management and effective industry and geographic diversification within the segment generated offsetting results between the segment operating companies, defusing the impact of an anomalous year at Stainless on the overall segment performance.

Head Office Costs

Year Ended December 31,	2014	2013	Variance	Variance %
Expenses	$ 10,879	$ 8,698	$ 2,181	25%

The head-office costs for the current year increased by $2.2 million or 25% over the comparative year. There was an increase in the professional fees incurred during the current year. As well, the increase in the number of personnel at head-office and higher participation levels in the consolidated entity's employee share purchase plans contributed to overall higher personnel costs at head-office in the current year.

Other Non-EBITDA Items

The following analyzes the changes in the other non-EBITDA income statement items that impacted net earnings for the year ended December 31, 2014 compared to the 2013 year. The results for the Company's continuing operations were impacted by the subsequent event announcement regarding the settlement with the CRA on the tax pools that accompanied its conversion from an income trust to a corporation. As a result of this settlement, the Company incurred a non-cash charge to deferred income taxes in the current period as described further below. As well, the Discontinued Operations of WesTower US, including the gain on disposition, is included in the 2014 net earnings and is described further below. Overall, net earnings for the Company for the 2014 year was $8.3 million, a decrease of $0.7 million over the comparative year.

Year Ended December 31,	2014	2013	Variance	Variance %
Depreciation and amortization	$ 50,481	$ 44,358	$ 6,123	14%

The Company's depreciation and amortization for the current year was $50.5 million, an increase of $6.1 million or 14% over the comparative year. The change is mainly attributable to the increase in capital asset depreciation of $5.9 million recorded by the Company, in particular in the Aviation segment. The addition of Regional One and the capital expenditures made by the Aviation segment throughout the 2013 fiscal period contributed to higher depreciation in 2014. Amortization of intangible assets increased in 2014 due to the additional amortization on the intangible assets recognized on the Regional One acquisition.

Year Ended December 31,	2014	2013	Variance	Variance %
Finance costs – interest	$ 21,493	$ 17,712	$ 3,781	21%

The Company's interest incurred for the current year was $21.5 million, an increase of $3.8 million or 21% over the comparative year. The increase in 2014 is mainly a result of additional interest costs on the Company's March 2013 convertible debentures outstanding for only a portion of the comparative year and the Company's March 2014 convertible debenture issuance which was not in the comparative year. The interest from the other series of convertible debentures was relatively flat between both years.

As described earlier in this MD&A, the Company has allocated cash interest to the Discontinued Operations of WesTower US representing an estimate of the debt cost burden of operating WesTower US. As a result, the cash interest cost for the Company's continuing operations relating to its credit facility is divided between the period before and after the sale of WesTower US. For the 2014 year, the Company incurred $1.0 million of interest relating to the continuing operations, including cash interest costs of $0.4 million for the period after the closing of the WesTower US transaction on October 20, 2014.

Year Ended December 31,	2014	2013	Variance	Variance %
Acquisition costs	$ 880	$ 1,669	$ (789)	–47%

The acquisition costs incurred by the Company for the current year were $0.9 million, a decrease of $0.8 million or 47% from the comparative year. The costs expensed in the current year relate to a variety of projects, including some costs relating to the acquisition of Provincial that closed early in 2015. The costs expensed in the comparative period relate almost solely to the external costs incurred for the Regional One acquisition, which closed early in the second quarter of 2013.

Year Ended December 31,	2014	2013	Variance	Variance %
Consideration liability fair value adjustment	$ (651)	$ (1,051)	$ 400	–38%

As a result of the structure of the consideration for the acquisition of Regional One in April 2013, there were contingent consideration liability balances recorded pertaining to the planned future payment of cash and Shares of the Company. Certain liabilities were recognized that would be settled by the Company through issuing shares and according to IFRS, the value of these liabilities fluctuate based on the Company's share price up to the time they are settled or derecognized.

During the current year, the Company settled this liability through the issuance of Shares to the Regional One vendors. The consideration liability decreased as a result of the Company's share price decreasing from what it was at the end of fiscal 2013 up to the time of the settlement. As a result, the Company recorded a consideration fair value adjustment that was a gain of $0.7 million during the 2014 year. With the settlement of the liability, there will be no further impact on the Company's net earnings from fair value adjustments relating to the Regional One acquisition.

In the comparative year, the change in the share price from the April closing date to the end of the year also resulted in a net gain of $1.1 million.

Year Ended December 31,	2014	2013	Variance	Variance %
Impairment and restructuring	$ 1,300	$ —	$ 1,300	—

During the current year the Company began restructuring Bearskin's operations to eliminate certain unprofitable routes. Management accrued total restructuring costs of approximately $1.3 million, which was expensed during the second quarter. Total payments made during the remainder of 2014 by Bearskin for restructuring costs were $0.7 million, with the remaining $0.6 million accrued in accounts payable and accrued expenses. The expenditures relate mainly to severance costs for reducing personnel levels.

Year Ended December 31,	2014	2013	Variance	Variance %
Current income tax expense (recovery)	$ 788	$ 4,097	$ (3,309)	–81%
Deferred income tax expense	31,612	4,396	27,216	619%
Income tax expense	$ 32,400	$ 8,493	$ 23,907	281%

The Company's income tax expense for the 2014 year was $32.4 million, an increase of $23.9 million or 281% over the comparative year. This increase is due to several factors. First, as announced on February 17, 2015, subsequent to the year end the Company reached a settlement with the CRA regarding the tax pools that accompanied the Company's conversion from an income trust to a corporation in 2009. As a result of this settlement, the Company had an adjustment to the remaining losses available, resulting in a non-cash charge of $22.9 million to the deferred income taxes. Secondly, the Company disposed of WesTower US during the year. The intercompany transactions between WesTower US, and the Company's continuing operations are eliminated in computing consolidated net earnings. However, the tax benefits of the intercompany transactions are included within Discontinued Operations, whereas the tax cost of these transactions are included in continuing operations. This has the impact of increasing the effective tax rate applicable to the Company's continuing operations by 12%. A detailed reconciliation between this effective tax rate and the statutory rate can be seen in Note 25 to the Company's 2014 annual financial statements.

During the 2014 year, the Company used $16.4 million of non-capital losses. While these losses represent the balance of available losses coming from the settlement with the CRA, the Company no longer has the ability to offset taxable income with the tax pools that accompanied the conversion. The Company continues to have $9.1 million of non-capital losses as at year-end 2014 relating to operations within the consolidated group of companies.

Discontinued Operations

With the sale of WesTower US in the fourth quarter of 2014, the Company presents Discontinued Operations in the financial statements for both current and comparative periods. The following summarizes the results of the Discontinued Operations for the years ended December 31, 2014 and 2013.

Year Ended December 31,	2014	2013
Revenue	$ 389,379	$ 521,027
EBITDA	9,201	(1,281)
Net earnings (loss) from discontinued operations	19,880	(1,615)
Free Cash Flow	4,109	761
Free Cash Flow less maintenance capital expenditures	3,527	65

The Discontinued Operations for the 2014 year include the results of operations for WesTower US for the current period up to the effective closing date, which occurred early in the fourth quarter of 2014, and the net gain on the disposition. The comparative results for 2013 include only the results of operations but for a full calendar year.

When looking at just the comparable length of periods covering approximately the first nine months of each year, the revenues from WesTower US declined in 2014 by approximately 1% but the EBITDA generated in the Discontinued Operations showed improvement in 2014 as a result of the improvements implemented late in 2013 and the beginning of 2014 in that business including the new senior management team and the heightened focus on managing direct and indirect costs of operations. The EBITDA of the Discontinued Operations excludes the net gain on disposition.

The 2014 net earnings includes the net gain on the disposition of WesTower US. The net gain on disposition totals $16.5 million after tax and other items recorded with the repayment of the Company's debt outstanding in its credit facility at the time with the proceeds from the sale. Certain cost accruals related to net working capital and tangible net worth tests included in the stock purchase agreement have been made by the Company in determining the net gain and the Company anticipates having the purchase price adjustments, including the finalization of working capital, settled in the first half of 2015.

The Free Cash Flow excludes the net gain on disposition and is based on the results of operations. The additional EBITDA generated in Discontinued Operations is the largest factor causing Free Cash Flow for the Discontinued Operations to increase. Additional cash taxes from an increase in taxable income and the allocation to Discontinued Operations of cash interest costs both negatively affect Free Cash Flow generated in the current year. Maintenance capital expenditures were relatively consistent in both years.

5. Summary Of Quarterly Results

The following summary of quarterly results reflects the continuing operations of the Company. The comparative periods are restated to reflect only the continuing operations from what was originally reported for the Company, which included the Discontinued Operations of WesTower US. The Discontinued Operations are only included in the Net earnings (loss) and related per share amounts in the bottom section of the table.

				2014				2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
From continuing operations								
Total revenue	$ 138,726	$ 143,499	$ 134,219	$ 126,059	$ 141,370	$ 134,474	$ 128,025	$ 105,183
EBITDA	26,151	27,872	22,262	17,993	24,322	23,872	23,658	9,928
Net earnings (loss) — continuing operations	(17,729)	5,172	1,282	(350)	3,338	5,314	5,172	(3,225)
Basic	(0.79)	0.23	0.06	(0.01)	0.15	0.25	0.24	(0.16)
Diluted	(0.79)	0.23	0.06	(0.01)	0.15	0.24	0.24	(0.16)
Adjusted net earnings (loss) - continuing operations[1]	5,915	6,061	2,990	(169)	3,709	5,610	5,980	(2,187)
Basic	0.26	0.27	0.14	(0.01)	0.17	0.26	0.28	(0.11)
Diluted	0.26	0.27	0.14	(0.01)	0.17	0.26	0.28	(0.11)
Free Cash Flow (FCF)	22,480	22,819	18,884	12,797	17,830	20,038	18,900	7,601
Basic	1.00	1.03	0.86	0.59	0.82	0.92	0.88	0.37
Diluted	0.84	0.86	0.73	0.54	0.69	0.83	0.73	0.35
FCF less maintenance capital expenditures	11,718	13,143	8,802	1,455	6,511	10,129	10,526	(108)
Basic	0.52	0.59	0.40	0.07	0.30	0.47	0.49	(0.01)
Diluted	0.50	0.54	0.40	0.07	0.30	0.47	0.45	(0.01)
From continuing & discontinuing operations								
Net earnings / (loss)	(1,580)	5,546	4,122	167	1,871	(205)	5,732	1,586
Basic	(0.07)	0.25	0.19	0.01	0.09	(0.01)	0.27	0.08
Diluted	(0.07)	0.25	0.19	0.01	0.09	(0.01)	0.27	0.08

(1) As defined in Section 14 – *Non-IFRS Financial Measures*, the Company's adjusted net earnings from continuing operations includes an add back for the non-cash deferred tax expense of $22.9 million incurred in 2014 (2013 – nil) as a result of the settlement that the Company made with the CRA on certain deferred tax assets associated with the conversion of the Company to a corporation from an income trust in 2009.

6. Review of Fourth Quarter Results

	Aviation	Manufacturing	Head-office[2]	Consolidated
				Three months ended December 31, 2014
Revenue	$ 86,902	$ 51,824	$ —	$ 138,726
Expenses[1]	64,877	44,988	2,710	112,575
EBITDA	$ 22,025	$ 6,836	$ (2,710)	$ 26,151

	Aviation	Manufacturing	Head-office[2]	Consolidated
				Three months ended December 31, 2013
Revenue	$ 86,619	$ 54,751	$ —	$ 141,370
Expenses[1]	67,140	47,131	2,777	117,048
EBITDA	$ 19,479	$ 7,620	$ (2,777)	$ 24,322

Note 1): Expenses include aviation expenses (excluding depreciation and amortization), manufacturing expenses (excluding depreciation and amortization) and general and administrative expenses, but it excludes any unusual non-operating one-time items.

Note 2): Head-office is not a separate reportable segment. It includes expenses incurred at the head-office of the Company and is presented for reconciliation purposes.

The Company's continuing operations recognized revenue of $138.7 million for the current period, a decrease of $2.6 million or 2% over the comparative period. The decrease is attributed to the Manufacturing segment whose revenues decreased by $2.9 million or 5%. The operations of Stainless were negatively impacted by the reduced field job volume that it has experienced throughout 2014. The revenues of WesTower CDA in the comparative period included higher volumes of work in the eastern regions of Canada that continued into early 2014 but were not at the same level in the fourth quarter of 2014 and as a result the revenues of WesTower CDA decreased in the current period. The revenues of the Aviation segment were basically flat between both periods with an increase in the current period of $0.3 million.

EBITDA generated by the Company's continuing operations was $26.2 million, an increase of $1.8 million or 8% over the comparative period. Consistent with the change in revenues, the Manufacturing segment's EBITDA decreased by 10% as a result the lower revenue volume and some lower margins. More than offsetting this decrease is the Aviation segment which increased EBITDA by $2.5 million or 13%. The Aviation segment's improved results came from Calm Air increasing its EBITDA by over 60% and also from Regional One. Consistent with the annual results, Calm Air showed improvements as a result of growth capital expenditures made in previous periods with its fleet rationalization plan and improved load factors. The Company has also invested growth capital into Regional One since it was acquired in April 2013 by adding to Regional One's leasing portfolio of aircraft related assets. The head-office costs were relatively consistent in both periods.

7. Liquidity and Capital Resources

As at December 31, 2014, the Company's continuing operations had a net cash position of $15.0 million (December 31, 2013 of $23.2 million). The Company's working capital was significantly impacted by the disposition of WesTower US in 2014. The comparable balance sheet for December 31, 2013 includes WesTower US with working capital of $180.9 million. The Company's net working capital as at December 31, 2014 is $95.8 million, representing a decrease of $160.9 million from the prior year. Outside of the sale of WesTower US, there are a number of factors impacting the change, including the growth of Regional One's business, changes in the taxes owing by the Company and current portions of the Company's Series F and Series G convertible debentures that matured during 2014. As well, the conversion rate of the Company's US based businesses at year-end 2014 was higher based on the weakening of the Canadian dollar near the end of 2014. The Company's current ratio for year-end 2014 is 1.93 to 1 as compared to 2.23 to 1 for the prior year which included WesTower US.

	December 31, 2014	December 31, 2013	Change
Cash and cash equivalents	$ 14,968	$ 23,168	$ (8,200)
Accounts receivable	82,575	141,947	(59,372)
Costs incurred plus recognized profits in excess of billings	11,507	176,971	(165,464)
Inventory	84,020	109,195	(25,175)
Prepaid expenses and deposits	6,249	10,375	(4,126)
Income taxes receivable	—	4,496	(4,496)
Accounts payable and accrued expenses	(83,531)	(151,191)	67,660
Income taxes payable	(1,809)	—	(1,809)
Deferred revenue	(8,009)	(9,063)	1,054
Billings in excess of costs incurred plus recognized profits	(9,079)	(43,602)	34,523
Current portion of long-term debt and finance leases	(1,107)	(1,326)	219
Current portion of convertible debentures	—	(4,324)	4,324
Net working capital	$ 95,784	$ 256,646	$ (160,862)

Near the beginning of the year the Company closed the offering of its March 2014 Unsecured Series 6.0% seven year convertible debentures with a par value of $40 million and generated net proceeds of $37.7 million. The majority of the funds generated were used by the Company as a payment against its outstanding credit facility balance and increased the liquidity of the Company for additional growth and expansion. The debentures have a seven year term with a 6.0% fixed interest rate paid semi-annually. The conversion price for these debentures is $31.70 and will mature in March 2021.

On April 8, 2014, the Company's Series F convertible debentures matured. All but $0.1 million of par value was converted into Shares of the Company at the option of the debentureholders. At maturity, the Company paid cash to settle the debentures outstanding.

On September 30, 2014, the Company's Series G convertible debentures matured. All but $0.2 million of par value was converted into Shares of the Company at the option of the debentureholders. At maturity, the Company paid cash to settle the debentures outstanding.

At the end of 2013, the Company had $51.2 million and US$157.2 million of principal outstanding on its senior credit facility. During the 2014 year, the Company made several payments and draws on its credit facility that resulted in the amount of principal outstanding as at December 31, 2014 to be US$13.9 million. The most significant repayment was due to the collection of approximately US$200 million of proceeds with respect to the sale of WesTower US that took place in the fourth quarter of 2014. As well, the Company used $36.4 million from the net proceeds of the March 2014 convertible debenture offering as a repayment of principal outstanding as at that time. Various draws throughout 2014 included funds required for significant growth capital expenditures, especially at Regional One. Total growth capital expenditures for the Company's continuing operations in 2014 totaled $42.6 million. During the second quarter, the Company received the full repayment of its advanced funds for the loan agreement with Tribal Council Investment Group ("TCIG"). The Company received in total $8.5 million from TCIG, including $6.9 million relating to the principal of the funds advanced with the remainder relating to other professional fee cost reimbursements and outstanding receivables. Interest on the advanced funds were earned and paid monthly based on the Canadian prime rate plus an applicable margin. The funds received were applied against the outstanding credit facility of the Company. The Company also uses the credit facility to manage working capital and therefore makes various draws and repayments throughout the year.

During the 2014 year, the Company's credit facility had a maximum of $335 million credit available, with $258 million allocated to EIC and $77 million allocated to EIIF Management USA Inc. ("EIIF USA"). The facility allows for borrowings to be denominated in either Canadian or US funds and had a maturity of May 2018. The Company is in compliance with all financial and negative covenants as at December 31, 2014.

Subsequent to the end of 2014, the Company utilized its credit facility to fund the cash portion of the purchase price relating to the acquisition of Provincial that closed on January 2, 2015 and related closing costs. At that time the Company changed the allocation of the available credit between EIC and EIIF USA to allow for more credit available in EIC given the amount of Canadian funds required for the Provincial acquisition. As a result, the amount allocated to EIC was changed to $320 million and $15 million for EIIF USA.

Subsequent to the closing of the Provincial acquisition but before the release of this report, the Company amended the terms of its credit facility which resulted in increasing the credit available to be $450 million, adding two new banks to the syndicate partnership, and extending maturity to be May 2019. With the changes, the amount of credit allocated to EIC was changed to $400 million and $50 million for EIIF USA.

Subsequent to the end of 2014, the Company announced on February 19, 2015 that it was exercising its right to call the Series I convertible debentures. These convertible debentures will be repaid on April 15, 2015 using funds from the Company's credit facility. The principal value of these convertible debentures is currently $34.9 million as of the date of this report.

Also during the 2014 year, the Company settled the majority of the outstanding consideration liabilities with the vendors of Regional One. In April, the Company released US$6.6 million ($7.3 million) of the cash in escrow, paid US$0.6 million ($0.7 million) in cash, and issued 130,175 of Shares with a value of US$2.2 million ($2.4 million). The remaining consideration liability outstanding at December 31, 2014 consists of certain tax related liabilities owing to the vendors. Additionally, there are 350,567 Shares of the Company that were issued into escrow at the time of acquisition and relate to the retention of the vendor as CEO. These remaining Shares are anticipated to be settled and released from escrow evenly each of the next four anniversaries of closing the acquisition.

The Company's dividend reinvestment plan ("DRIP") continued throughout the 2014 year and the Company received $4.3 million for 220,542 Shares being issued in accordance with the DRIP.

The Company obtained additional cash through the means described above and also generated $77.0 million of Free Cash Flow during the 2014 year from the Company's continuing operations. The Discontinued Operations of WesTower US generated Free Cash Flow of $4.1 million during the period up to the sale of that business in October 2014. The Company used the Free Cash Flow for funding dividends and capital expenditures over that period. See Section 3 – *Key Performance Indicators* for more information on the capital expenditures made by the Company.

The Company's dividends are dependent on its ability to generate cash flow from operations and Free Cash Flow. During the 2014 year, the Company declared dividends totaling $37.4 million (2013 – $35.9 million). The increase in 2014 was a result of two factors: an increase in the number of Shares outstanding, and the increase of the monthly dividend rate per share by $0.005 (4% increase) for the last two months of 2014. The monthly dividend rate for all of 2013 and for the first ten months of 2014 was $0.14 per share before increasing to $0.145 per share. The monthly dividend declared in any given month is paid to shareholders at the middle of the following month.

The following summarizes the changes in the Shares outstanding of the Company during the year ended December 31, 2014:

	Date issued	Number of shares
Shares outstanding, beginning of year		21,752,400
Issued upon conversion of convertible debentures	various	311,803
Issued under dividend reinvestment plan (DRIP)	various	220,542
Issued under vesting of reserved shares	April 1, 2014	28,746
Issued to Regional One vendors on contingent liability payment	May 5, 2014	130,175
Issued under employee share purchase plan (ESPP)	November 18, 2014	53,894
Issued under deferred share plan	October 23, 2014	3,781
Issued under First Nations community partnership agreements	various	6,000
Shares outstanding, end of year		22,507,341

With the acquisition of Provincial at the beginning of the 2015 year, subsequent to December 31, 2014 the Company issued 523,188 Shares to the vendors of Provincial as part of the purchase price on January 2, 2015.

The following summarizes the convertible debentures outstanding as at December 31, 2014 and the changes in the amount of convertible debentures outstanding during the year ended December 31, 2014:

Series – Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Series H — 2010	EIF.DB.B	May 31, 2017	6.5%	$20.00
Series I — 2011	EIF.DB.C	January 31, 2016	5.75%	$26.00
Series J — 2011	EIF.DB.D	May 31, 2018	6.25%	$30.60
Unsecured Debentures — 2012	EIF.DB.E	September 30, 2019	5.5%	$36.80
Unsecured Debentures — 2013	EIF.DB.F	March 31, 2020	5.35%	$41.60
Unsecured Debentures — 2014	EIF.DB.G	March 31, 2021	6.0%	$31.70

Par value	Balance, beginning of year	Issued	Converted	Matured	Balance, end of year
Series F	$ 1,134	$ —	$ (1,008)	$ (126)	$ —
Series G	3,260	—	(3,067)	(193)	—
Series H	22,116	—	(123)	—	21,993
Series I	34,944	—	—	—	34,944
Series J	57,477	—	—	—	57,477
Unsecured Debentures — September 2012	57,500	—	—	—	57,500
Unsecured Debentures — March 2013	65,000	—	—	—	65,000
Unsecured Debentures — March 2014	—	40,000	(12)	—	39,988
Total	$ 241,431	$ 40,000	$ (4,210)	$ (319)	$ 276,902

The following are the contractual obligations of the Company and its subsidiaries at December 31, 2014:

	Total	Less than 1 year	Between 1 year and 5 years	More than 5 years
Long-term debt	$ 16,125	$ —	$ 16,125	$ —
Convertible debentures	276,902	—	171,914	104,988
Operating leases	36,350	6,903	13,935	15,512
Finance leases	2,529	1,107	1,422	—
	$ 331,906	$ 8,010	$ 203,396	$ 120,500

Normal Course Issuers Bid

On December 24, 2014, the Company announced that it has received approval from the Toronto Stock Exchange ("TSX") with respect to a normal course issuer bid (the "NCIB") to purchase up to an aggregate of 1,124,568 Shares, representing 5% of the issued and outstanding Shares as at December 12, 2014.

Purchases of Shares pursuant to the NCIB may be made through the facilities of the TSX commencing on December 30, 2014 and ending on December 29, 2015, or an earlier date in the event that the Company purchases the maximum number of the Shares available under the NCIB. The Company will pay the market price at the time of acquisition for any Shares purchased through the facilities of the TSX. All Common Shares acquired directly by the Company under the NCIB will be cancelled with the exception of those purchased for the purpose of fulfilling certain obligations arising from the acquisition of Provincial in early 2015. The Company made no purchases of Shares during 2014.

Under the NCIB, the maximum number of Shares that may be purchased by the Company on a daily basis is 30,214 Common Shares, other than block purchase exemptions.

The Company sought approval of the NCIB because it believes that, from time to time, the market price of the Shares may not fully reflect the value of the Shares. The Company believes that, in such circumstances, the purchase of Shares represents an attractive investment for the Company.

As of the date of this report, there are 751,950 shares remaining for purchase under the NCIB ending December 29, 2015 after the Company fulfilled certain obligations arising from the acquisition of Provincial.

8. Related Party Transactions

The following transactions were carried out by the Company with related parties.

Property Leases

Various entities lease several buildings from related parties who were vendors of the entity that the Company purchased the business from originally. These vendors are considered related parties because of their continued involvement in the management of those businesses. These leases are considered to be at market terms and recognized in the consolidated financial statements at the exchange amounts. The total costs incurred in 2014 under these leases was $2.7 million (2013 – $2.1 million) and the lease term maturities range from 2015 to 2018. The expense is recorded within general and administrative expenses and is paid monthly, therefore no balance exists on the Company's statement of financial position (2013 – nil).

Key Management Compensation

The Company identifies its key management personnel being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company's board (whether executive or otherwise). The key management personnel include the executive management team and the board of directors.

Compensation awarded to key management for the 2014 year and the comparative 2013 year is as follows:

Year Ended December 31,	2014	2013
Salaries and short-term benefits	$ 4,341	$ 2,872
Share-based payments	1,510	1,118
	$ 5,851	$ 3,990

9. Critical Accounting Estimates

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of these consolidated financial statements. These underlying assumptions are reviewed on an ongoing basis. Actual results could differ materially from those estimates.

Accounting Estimates

Business Combination

The Company's acquisitions have been accounted for using the acquisition method of accounting. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair values of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair values of the acquired company's assets and assumed liabilities. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The initial recognition of intangible assets acquired that require critical accounting estimates are customer contracts, customer relationships, customer lists, certifications and trade names. To determine the fair value of these customer based intangible assets (excluding trade names), the Company adopted the excess earning method. This valuation technique values the intangible assets based on the capitalization of the earnings, which are calculated to be in excess of what a reasonable amount of earnings would be on the tangible assets used to generate the earnings. Significant assumptions include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates and anticipated average income tax rates. To determine the fair value of the trade name intangible asset, the Company adopted the royalty relief method. This valuation technique values the intangible assets based on the present value of the expected after-tax royalty cash flow stream using a hypothetical licensing arrangement. Significant assumptions include, among others, the determination of projected revenues, royalty rate, discount rates and anticipated average income tax rates.

Long-term Contract Revenue Recognition

Revenue and income from fixed price construction contracts are determined on the percentage-of-completion method, based on the ratio of actual costs incurred to date over estimated total costs. The Company has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However, due to unforeseen changes in the nature or cost of the work to be completed or performance factors, contract profit can differ significantly from earlier estimates. Management believes, based on its experience that its current systems of management and accounting controls allow the Company to produce materially reliable estimates of total contract revenue and cost during any accounting period. However, many factors can and do change during a contract performance period, which can result in a change to contract profitability from one financial reporting period to another. Some of the factors that can change the estimate of total contract revenue and cost include differing site conditions (to the extent that contract remedies are unavailable), the availability of skilled contract labour, the performance of major material suppliers to deliver on time, the performance of major subcontractors, unusual weather conditions and the accuracy of the original bid estimate. Fixed price contracts exist in the Company's manufacturing segment, and specifically within the operations of WesTower CDA and Stainless.

Since the Company has many contracts in process at any given time, these changes in estimates can offset each other without impacting overall profitability. However, changes in cost estimates, which on larger, more complex construction projects can have a material impact on the Company's consolidated financial statements, are reflected in the results of operations when they become known. A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. For such change orders, contract revenue is recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Therefore, to the extent that actual costs recovered are different from expected cost recoveries, significant swings in revenue and profitability can occur from one reporting period to another.

Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. In accordance with the Company's accounting policy, claims are recognized in revenue only when resolution is probable. Therefore, it is possible for the Company to have substantial contract costs recognized in one accounting period with associated revenue recognized in a later period. Given the above-noted critical accounting estimates associated with the accounting for construction contracts, including change orders and claims, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year or later could be different from the estimates and assumptions adopted and could require a material adjustment to revenue and/or the carrying amount of the asset or liability affected. The Company is unable to quantify the potential impact to the consolidated financial results from a change in estimate in calculating revenue.

Depreciation & Amortization Period for Long-lived Assets

The Company makes estimates about the expected useful lives of long-lived assets and the expected residual values of the assets based on the estimated current fair value of the assets, the Company's aircraft fleet plans and the cash flows expected to be generated from them. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes to maintenance programs, changes in utilization of the aircraft, changing market prices for aircraft of the same or similar types, and changes in the utilization of other major manufacturing equipment and buildings. Estimates and assumptions are evaluated at least annually. Generally, these adjustments are accounted for on a prospective basis, through depreciation and amortization expense. For the purposes of sensitivity analysis on these estimates, a 50% reduction to residual values on the Company's aircraft with remaining useful lives greater than five years as at December 31, 2014 would result in an increase of approximately $4.1 million to annual depreciation expense. For the Company's aircraft with shorter remaining useful lives and other major manufacturing equipment and buildings, the residual values are not expected to change significantly.

Impairment Considerations on Long-lived Assets

Goodwill and indefinite life intangible assets are not amortized. Goodwill and all intangibles are assessed for impairment at least annually. Impairment testing is performed on long-lived assets by comparing the carrying amount of the asset or cash generating unit to their recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's fair value less costs to disposal and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates. The assumptions include the Company's weighted average cost of capital at the assessment date which incorporates the Company's existing capital structure. Growth factors are based on industry related standards but range between 2.5–3.0%.

Deferred Income Taxes

The Company recognizes deferred tax assets related to tax-loss carryforwards and other deductible temporary differences where it is probable that sufficient future taxable income can be generated in order to fully utilize such losses and deductions. This requires significant estimates and assumptions regarding future earnings, and the ability to implement certain tax planning opportunities in order to assess the likelihood of utilizing such losses and deductions. These estimates and assumptions are subject to uncertainty and if changed could materially affect the assessment of the ability to fully realize the benefit of the deferred tax assets.

As described in Section 2 – *Overview*, the Company announced that it has entered into an agreement with the CRA regarding the CRA's objection to the tax consequences of the conversion of EIC's income trust structure into a business corporation in July 2009.

The agreement will not give rise to any cash outlay by the Corporation for prior taxation years. The agreement results in a non-cash charge in the Company's consolidated net earnings for the 2014 year related to the write-off of certain of the Company's deferred tax assets.

The Company is subject to income taxes in both Canada and the United States. Significant judgment is required in determining the provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that are believed to appropriately reflect our risk with respect to tax positions under discussion, audit, dispute, or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company regularly assesses 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 the relevant taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

As at December 31, 2014 the Company has recognized uncertain tax positions in the amount of $2.3 million (including accrued interest of $0.3 million). The uncertain tax positions have been recognized as part of business combinations described in previous periods. The Company is indemnified for these uncertain tax positions, and therefore, the uncertain tax position is offset by a receivable from the vendors of the applicable subsidiary in the amount of $2.3 million.

Critical Accounting Judgments

Measurement and Presentation of Capital Assets and Inventory

The Company may purchase certain aircraft and aircraft components in the normal course of the operations at Regional One. The Company must assess whether the aircraft and engines should be recognized as either inventory or capital assets depending on the anticipated use of such assets, including the ability to lease these tangible assets to customers. The determination is based on available cycle times related to aviation components and whether such assets are expected to be used in more than one period, in which case they would be classified as capital assets and amortized over their useful lives. The Company reviews its tangible assets on a regular basis to assess whether reclassifications are required between capital assets and inventory and the related accounting implications.

The normal operations of Regional One within the Aviation segment include it acting as a provider of aircraft and engine aftermarket parts. In the course of its business, it may acquire entire aircraft or components of an aircraft for breakdown into saleable parts. Regional One determines the carrying value of its inventory using the average cost to sales percentage based on the expected selling price. Accordingly, the carrying value of inventory and recognition of the related cost of sale requires estimates related to the average cost to sales percentage. The Company has a process whereby such estimates are reviewed on a regular basis and based on historical experience and changes in market conditions. However, due to unforeseen changes in market conditions or other factors, estimated average cost to sales percentages may differ significantly from earlier estimates. Management believes, based on its industry experience, that its current systems of management and accounting controls allow the Company to produce materially reliable estimates of the carrying value of inventory and related cost of sales. However, many factors can and do change throughout a component part's life, which can result in a change to future average cost to sales percentages. Some of the factors that can change include significant changes in worldwide utilization of certain aircraft types which the parts support, available supply of original equipment manufacturer or aftermarket parts, and changes in airworthiness directives by aviation authorities. Such changes can alter the supply and demand associated with Regional One's parts inventory and therefore, it is possible that outcomes within the next financial year could be different from the estimates and assumptions and could result in an impairment of inventory or a decrease in the average cost to sales percentage on future sales.

10. Accounting Policies

The accounting policies of the Company used in the determination of the results for years ended December 31, 2014 and 2013 that are discussed and analyzed in this report are described in detail in Note 3 of the Company's 2014 consolidated financial statements.

Future Accounting Standards

Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014 and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Company are set out below. The Company does not plan to adopt these standards early and is continuing to evaluate the impact of such standards.

IFRS 15 – Revenue

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Customer Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company beginning on January 1, 2017, with earlier adoption permitted. The Company is assessing the impact of adopting this standard on its financial statements.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not carried at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit and loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018.

11. Controls and Procedures

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting in order to provide reasonable assurance with regards to the reliability of financial reporting and preparation of financial statements in accordance with IFRS, as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Consistent with the concept of reasonable assurance, the Company recognizes that all systems of internal controls, no matter how well designed, have inherent limitations. As such, the Company's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

An assessment of internal controls over financial reporting was conducted by the Company's management, under supervision by the Chief Executive Officer and Chief Financial Officer. Management has used the 2013 Internal Control – Integrated Framework to evaluate the Company's internal controls over financial reporting, which is recognized as a suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The Company re-evaluated its internal controls assessment to consider the disposition of WesTower US that closed on October 20, 2014. Management has evaluated the design and operation of the Company's internal controls over financial reporting as at December 31, 2014, and based on that evaluation has concluded that the material weakness previously disclosed was remediated such that internal controls over financial reporting are effective.

There have been no other material changes to the Company's internal controls during the 2014 year that would have materially affected or are likely to materially affect the internal controls over financial reporting.

On January 2, 2015, subsequent to the end of the 2014 year, the Company acquired the shares of Provincial. As at the date of this MD&A, management has not completed its review of internal controls over financial reporting for this newly acquired company nor determined its impact, if any, on the Company's internal controls over financial reporting. This will be completed in the first quarter of 2015.

Disclosure Controls and Procedures

Management has established and maintained disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to management in a timely manner and that information required to be disclosed by the Company is reported within the time periods prescribed by applicable securities legislation. Management has concluded that disclosure controls and procedures were designed and operating effectively as at December 31, 2014.

12. Risk Factors

The Company and its subsidiaries are subject to a number of risks. These risks relate to the structure of the Company and to the operations at the subsidiary entities. An investment in the securities of the Company involves a number of risks. The risks and uncertainties described below are all of the significant risks that management of the Company is aware of and believe to be material to the business and results of operations of the Company. When reviewing forward-looking statements and other information contained in this document, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry and company-specific factors that may adversely affect future results of the Company. The Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management of the Company to predict all risk factors or the impact of such factors on the business of the Corporation. The Corporation assumes no obligation to update or revise these risk factors or other information contained in this document to reflect new events or circumstances, except as may be required by law.

The most significant risks are categorized by their source and described as follows:

External

- Economic and Geopolitical Conditions
- Competition
- Government Funding for First Nations Health Care
- Access to Capital
- Market Trends and Innovation
- General Uninsured Loss
- Speculative Nature of Investment
- Climate
- Acts of Terrorism
- Pandemic

Operational

- Significant Contracts and Customers
- Operational Performance and Growth
- Acquisition Risk
- Concentration and Diversification Risk
- Maintenance Costs
- Access to Parts and Relationships with Key Suppliers
- Casualty Losses
- Environmental Liability Risks
- Dependence on Information Systems and Technology
- International Operations Risks
- Fluctuations in Prices of Aviation Related Assets
- Aviation Related Asset Acquisitions Price Volatility

Financial

- Availability of Future Financing
- Laws, Regulations and Standards
- Income Tax Matters
- Commodity Risk
- Foreign Exchange
- Interest Rates
- Credit Facility and the Trust Indentures
- Dividends
- Unpredictability and Volatility of Share Prices
- Dilution Risk
- Credit Risk

Human Capital

- Management and Operations
- Reliance on Key Personnel
- Employees and Labour Relations
- Conflicts of Interest

The risk factors in each category are disclosed in order from the most serious to the least serious.

External Risks

Economic and Geopolitical Conditions

External economic factors over which the Company exercises no influence could affect customer demand and disposable income. The Company is cognizant that the Canadian and US economies are susceptible to the global economy, continued weakness in the Eurozone, and sensitivity of the US economy to its current deficit and debt levels. Negative events could lead to reduced global demand, considerable weakness in commodity prices, and tight global credit conditions. A weaker economy will impact the Company's ability to sustain its operating results or create growth.

Negative changes in the economy will impact each of the Company's manufacturing operations differently as the Manufacturing segment is diversified and geographically dispersed. For instance, a downturn will have a greater impact on some regions, like Alberta and North Dakota, whose economies are driven by oil and gas more than others. A US economy downturn impacts the operations of Stainless more than our other operations as their products are provided to a wide variety of US industries. WesTower is more specifically impacted by the telecommunication industry which is driven by the large telecommunication companies' capital expenditure programs that are often on a different cycle then the general economy. The telecommunications industry within Canada consists of both highly innovative items and basic infrastructure. WesTower is primarily focused on the metal construction and services for communication towers within this industry. This segment historically has some time lag between the economy weakening and the reduced demand for their products as the Manufacturing segment generally has a reasonable order backlog, as well some of the Manufacturing segments' projects are longer in nature, which gives them a buffer to prepare for the reduction in demand.

In our Aviation segment, a downturn in economic growth could have the effect of reducing demand for passenger travel, as well as the demand for charter and cargo services. Reduced demand will have an impact on revenue, but will have a larger impact on profitability because of the significant fixed costs of the aviation operations. The exposure to economic growth risk is effectively mitigated as many of the communities serviced by the Aviation segment have no alternative transportation access, making Aviation services a de facto essential service. In addition to the sensitivity of operations to cycles driven by the economy, the operating results of the Aviation segment is also subject to seasonal fluctuations due to a variety of factors including changes in purchasing patterns, pricing policies, and the demand and supply levels of aviation related assets.

Regional One is particularly affected by economic factors that adversely impact the global commercial aviation industry generally. The global commercial aviation industry is historically cyclical and has been negatively affected in the past by geopolitical events, high oil prices, lack of capital, and weak economic conditions. A result of these economic conditions is that a number of customers of Regional One have ceased operations or filed for bankruptcy or other reorganization in recent years. In addition, any reduction in the global operating fleet of aircraft will result in reduced demand for parts support and maintenance activities for the type of aircraft affected. Further, tight credit conditions may negatively impact the amount of liquidity available to buy parts, services, engines, and aircraft. A deteriorating airline environment may also result in additional airline bankruptcies, and Regional One may not be able to fully collect outstanding accounts receivable. Reduced demand from customers caused by weak economic conditions, including tight credit conditions and customer bankruptcies, may adversely impact Regional One's financial condition or results of operations.

Competition

The Company recognizes that there are threats in the operating environment, including new competition or increased competition which could have a significant impact on the Company's business, results from operations, and financial condition.

The Aviation segment, other than Regional One, currently focuses on niche markets in Manitoba, Ontario, Nunavut and Alberta and experiences different levels of competition depending on the geography and the nature of service provided. These companies focus on providing the best service through their low cost of operation, fleet of appropriately sized owned aircraft, significant ground infrastructure and their relationships with their customers. However, the Aviation segment would be exposed to downside earnings risk if a well-capitalized competitor were to commence operations or if a current competitor were to significantly expand services in the niche markets where the entities currently operate. The greatest impact would be on the segment's scheduled operations, as competition would put pressure on load factors resulting in declining margins due to the nature of fixed costs in these operating entities. This impact would be more pronounced in the short-term until the affected entity made the appropriate changes to its business to respond to the competition.

The markets for the products and services of Regional One are highly competitive and it faces competition from a number of sources, both domestic and international. Regional One's competitors include aircraft manufacturers, aircraft component and parts manufacturers, airline and aircraft service companies, other companies providing maintenance, repair and overhaul services, other aircraft spare parts distributors and redistributors, and other after-market service providers. Some of Regional One's competitors have substantially greater financial and other resources than it has and others may price their products and services below Regional One's selling prices. These competitive pressures could adversely affect Regional One's business, results from operations and financial condition.

The Manufacturing segment has competition in all its markets. WesTower is the dominant tower and service provider in Canada. WesTower has been able to secure a large amount of their base work through contracts with major telecommunication companies in Canada, reducing the immediate threat of competition. WesTower is still exposed to competition on a portion of its work, as well as this contracted work when it is tendered again. An increase in competition could lead to pressure on margins as well as a reduction in the size of WesTower. The Alberta operations experience low levels of competition on some of their custom projects given the uniqueness of these projects. A new competitor in this market would put pressure on both its margins and revenues given their current position as the market leader. Stainless serves a diverse group of industries and experiences competition on the majority of its work. As Stainless continues to expand its product offering and large scale field projects, it will likely experience greater levels of competition that could impact its margins.

Government Funding for First Nations Health Care

Many of the communities which Perimeter, Keewatin, Calm Air and to a lesser degree Bearskin and Custom Helicopters provide services to, have very limited medical resources and as a result, trips to medical facilities are required to seek adequate medical care. First Nations people with a medical condition which cannot be adequately dealt with on site are provided travel warrants by the local medical authorities. These warrants are then exchanged by the person for an airline ticket. Perimeter, Keewatin, Calm Air and to a lesser degree Bearskin and Custom Helicopters receive a travel warrant from the traveler and then bill the federal government of Canada for the cost of the ticket. Perimeter and Keewatin also provide Medevac services for medical emergencies. Medevac flights are utilized when a patient requires urgent care at a larger medical facility and cannot wait for a scheduled flight, or is in such a condition that would make travel on a regular flight impossible. If any or all of the government agencies that are serviced by Perimeter, Keewatin, Calm Air or to a lesser degree Bearskin and Custom Helicopters decide to reduce or eliminate funding for medical-related transportation services, this would have a significant negative impact on Perimeter, Keewatin, Calm Air and to a lesser degree Bearskin and Custom Helicopters, as applicable.

Access to Capital

One of the objectives of the Company is continuing to acquire additional companies or interests therein in order to expand and diversify the Company's investments. The ability to execute this objective is dependent on the Company's ability to raise funds in the capital markets. If the capital markets' desire for income producing investments, such as the shares of the Company, were to significantly decrease, the Company would have difficulty in executing its acquisition objectives. The Company's current level of leverage is considered reasonable and the Company has more than $321 million available under the Company's credit facility based on the amount outstanding as at December 31, 2014 (ignoring the impact of foreign exchange), which gives the Company the ability to undertake acquisitions, up to a given size, in the short-term without being dependent on the capital markets.

Subsequent to the end of 2014, the Company utilized its credit facility to fund the cash portion of the purchase price relating to the acquisition of Provincial that closed on January 2, 2015 and related closing costs. Subsequent to the closing of the Provincial acquisition but before the release of this report, the Company amended the terms of its credit facility which resulted in increasing the credit available to be $450 million, adding two new banks to the syndicate partnership, and extending maturity to be May 2019. After these two subsequent events, the Company has approximately $200 million (ignoring the impact of foreign exchange) of available credit in its facility.

Market Trends and Innovation

The success of the subsidiaries is dependent on their ability to anticipate and respond in a timely manner to changing consumer preferences, tastes and demands. Accordingly, any sustained failure to identify and respond to emerging trends could adversely affect consumer acceptance of products or the ability to continue to obtain orders, which could have an adverse effect on the Company's business, results from operations and financial condition.

The subsidiaries continue to invest in technology and innovation as the industries in which they operate are constantly undergoing development and change. Their ability to anticipate changes in technology in order to successfully develop and introduce new and enhanced products or to purchase new equipment and train employees on a timely basis using such technologies will be a significant factor in the subsidiaries remaining competitive. If there is a shift away from the use of such technologies, costs may not be recovered, adversely affecting the Company's results of operations and financial condition. In addition, if other technologies in which the investment of the subsidiaries is not as great or their expertise is not as fully developed emerge as the industry-leading technologies, the subsidiaries may be placed at a competitive disadvantage, which could have an adverse effect on the Company's business, results from operations and financial condition.

General Uninsured Loss

Each of the subsidiaries carries comprehensive general liability, fire, flood and extended coverage insurance with policy specifications, limits and deductibles customarily carried for similar businesses. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, anticipated profits and cash flows could be negatively impacted; however, the affected subsidiary or subsidiaries would continue to be obliged to pay any such indebtedness.

Speculative Nature of Investment

An investment in the industries in which the operating subsidiaries are engaged in should be considered speculative. The risks associated with the operating subsidiaries include the risks described herein. There is no assurance that the operating subsidiaries will be able to maintain or improve their respective position in the markets in which they currently participate or may expand into.

Climate

The Corporation's results of operations could be impacted by fluctuations from weather and natural disasters. Severe weather conditions and natural disaster conditions can significantly disrupt service by impeding the movement of goods or creating air traffic control problems, which could have an adverse effect on the Company's business, results of operations and financial condition. In addition, increases in frequency, severity or duration of severe weather events, including changes in the global climate, could result in increases in fuel consumption to avoid such weather, turbulence-related injuries, delays and cancellations, any of which would increase the potential for loss of revenue and higher costs. Certain operations within the aviation segment are impacted by the length of winter road season, which is impacted by the seasonal weather during the first few months of the calendar year. The colder the winter season, the longer the winter roads are available for customers to use as an alternative to flying with the airlines of the Company.

Acts of Terrorism

The occurrence of a terrorist attack could cause a decrease in passenger demand for travel and an increase in security measures, travel restrictions, and related costs in the airline industry. This could have an adverse effect on the Company's business, results from operations and financial condition.

Pandemic

The spread of contagious disease could have a significant impact on passenger demand for air travel and the ability to continue full operations. The Company cannot predict the likelihood of such an event occurring nor the impact it could have on the operations. Such event could have an adverse effect on the Company's business, results from operations and financial condition.

Operational Risks

Significant Contracts and Customers

Both the Aviation and the Manufacturing segments have many key contracts. The aviation contracts, outside of the Government of Nunavut contracts discussed below, are largely for cargo and charter services or the lease of aviation related assets, while the most significant manufacturing contracts are WesTower's Telus and Bell contracts. The loss of any one of these contracts will have a negative impact on the operations and cash flow of the Company.

Keewatin has medical evacuation contracts with the Government of Nunavut, which provide Keewatin with the exclusive rights to provide medical evacuations in the Kivalliq and Baffin Island regions of Nunavut. Both contracts provide Keewatin with a fixed base fee to cover the costs of operating in Nunavut plus a variable fee per mile flown. Keewatin was successful as the incumbent in being awarded the Kivalliq contract and signed a five year contract in the second quarter of 2011. The Baffin Island region contract is a five year contract and commenced in December 2010. There is a risk that Keewatin will not retain or extend one or both of the contracts at the end of the term, which would have an adverse effect on the business, results from operations and financial condition of Keewatin.

Calm Air provides services to the Government of Nunavut for a certain share of the medical travel market through a sub-contract with Canadian North, whereby they provide medical-related travel on scheduled services to communities in the Kivalliq region of the Nunavut territory. They were successful as the incumbent in this market and signed a three year contract, with two one-year renewal options, in the third quarter of 2011. The first one year renewal option has been exercised by the client. There is a risk that they will not retain their share of the medical travel market or extend the contract, which could have an adverse effect on the business, results from operations and financial condition. In September 2014, Calm Air entered into a long-term strategic alliance with Sakku Investment Corporation, the business arm of the Inuit of the Kivalliq Region. The strategic alliance not only allows Calm Air and Keewatin to leverage local knowledge and relationships in the Kivalliq Region, but also resulted in a long-term lease of an aircraft hangar in Rankin Inlet to Calm Air that will improve service to customers in the Kivalliq Regional, improve operational reliability, and provide a facility from which to expand its northern operations.

Operational Performance and Growth

The Company's principal source of funds is cash generated from its subsidiaries. It is expected that funds from these sources will provide it with sufficient liquidity and capital resources to meet its current and future financial obligations at existing business levels. In the event that additional capital and operating expenditures dependent on increased cash flow or additional financing arise in the future, lack of those funds could limit or delay the future growth of the subsidiaries and their cash flow. Furthermore, underperformance of a material subsidiary and/or combination thereof could have an adverse effect by also limiting or delaying future growth of the subsidiaries and their cash flow, while also potentially impacting the amount of cash available for dividends to the Company's shareholders ("Shareholders").

Acquisition Risk

Led by a formal Corporate Development department, the Company regularly reviews potential acquisition opportunities to support its strategic objective to expand and diversify the Company's investments. The Company's ability to successfully grow or diversify through additional acquisitions will be dependent on a number of factors, including: the identification of suitable acquisition targets in both new and existing markets; the negotiation of purchase agreements on satisfactory terms and prices; securing attractive financing arrangements; and, where applicable, the integration of newly acquired operations into the existing business.

In pursuing a strategy of acquiring other businesses or entities, the Company will face risks commonly encountered with growth through acquisitions. These risks include, but are not limited to, incurring higher capital expenditures and operating expenses than expected, failing to integrate the operations and personnel of the acquired businesses, entering new unfamiliar markets, incurring undiscovered liabilities at acquired businesses, disrupting ongoing business, diverting management resources, failing to maintain uniform standards, controls and policies, impairing relationships with employees, suppliers and customers as a result of changes in management, causing increased expenses for accounting and computer systems and incorrectly valuing acquired entities.

The Company may not adequately anticipate all the demands that its growth will impose on its personnel, procedures and structures, including its financial and reporting control systems, data processing systems and management structure. Moreover, the Company's failure to retain qualified management personnel at any acquired businesses may increase the risk associated with integrating the businesses. If the Company cannot adequately anticipate and respond to these demands, it may fail to realize the expected operating performance and its resources will be focused on incorporating new operations into its structure rather than on areas that may be more profitable. In addition, although the Company conducts what it believes to be a prudent level of investigation regarding the operating condition of the businesses it purchases, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual operating condition of these businesses.

The Company conducts business, legal and financial due diligence investigations in connection with its acquisitions and the purchase and sale agreements pursuant to which the Company directly or indirectly acquires a business or entity will generally contain customary representations and warranties (in certain cases to the knowledge of the vendors) with respect to the applicable business and related indemnities from the vendors regarding corporate matters, taxes, litigation, environmental, operations, employee matters and financial statements, among other things. However, there can be no assurance that the Company will uncover all risks associated with the investment in its due diligence investigations, that the representations and warranties given by such vendors will adequately protect against such risks or of recovery by the Company in the event of a breach of a representation and warranty.

Concentration and Diversification Risk

The Company's performance is dependent on the results of its operating subsidiaries which are concentrated in two industry segments: Aviation and Manufacturing. Although some level of diversification exists, financial results are heavily tied to the North American economy. An economic decline, major shift in consumer demands, or change in technology could result in both segments experiencing simultaneous negative results. In the event that both segments experience a downturn leading to negative results, this could have an adverse effect on the Company's business, results from operations and financial condition.

Similarly, becoming economically dependent on one subsidiary or customer could result in an imbalance in the diversification level of the Company. This could have either an adverse or favourable effect on the Company's financial condition, but in such a manner that it may directly drive overall results. Furthermore, considerable pressure may be placed on resources and systems to manage the imbalance.

Maintenance Costs

The Company's aviation subsidiaries, excluding Regional One, rely on aircraft tailored to operate in extreme and remote environments. Many aircraft types are no longer in production, so by nature, the aviation subsidiaries are working with aging aircraft and have specific aging aircraft protocols to ensure the safety and longevity of the aircraft. A comprehensive, in-house maintenance division within each subsidiary continually oversees the airframe, engines and components of each aircraft in the fleet. The ongoing maintenance costs, as well as the fleet renewal costs, may be significantly higher than anticipated, adversely impacting the Company's business, results from operations and financial condition.

Access to Parts and Relationships with Key Suppliers

The fabrication of products of the subsidiaries engaged in the manufacturing sector is dependent on the continued efficient supply of component parts from suppliers. Any shortage of supply of these required parts would jeopardize the ability of the subsidiaries engaged in the manufacturing sector to bring their products to market. Major suppliers of the Manufacturing segment include some of the technological telecommunication electronics for the WesTower operations and also Hotsy for the Alberta operations.

Casualty Losses

The operating subsidiaries of the Company are subject to the inherent business risk of liability claims and adverse publicity if any of their services is alleged to have resulted in adverse effects to a user, including an aircraft accident in the case of the entities within the Aviation segment. There can be no assurance that the Company's insurance coverage will be sufficient or remain available at reasonable costs to cover one or more large claims. Additionally, any incident or disaster involving one of the segments could significantly harm the Company's reputation for safety. In either event, the Company's business, results from operations and financial condition could be adversely affected.

Environmental Liability Risks

As an owner of real property, and in particular fuel farms, fuel storage containers and other fuel transportation equipment owned by 4873999 Manitoba Ltd. or 7328010 Canada Ltd., the subsidiaries are subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide that the subsidiaries could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remedy such substances or locations, if any, could potentially result in claims against the subsidiaries.

As at the date of this report, the Company is not aware of any material non-compliance of any of its subsidiaries with environmental laws at any of its properties. As at the date of this report, the Company is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its subsidiaries' properties or any pending or threatened claims relating to environmental conditions at its properties.

Future environmental regulatory developments in North America and abroad concerning environmental issues, such as climate change, could adversely affect the operations of the subsidiaries, particularly in aviation, and increase operating costs and, through their impact on customers, reduce demand for the products and services of the subsidiaries. Actions may be taken in the future by federal, provincial, state or local governments, the International Civil Aviation Organization, or by signatory countries through a new global climate change treaty to regulate the emission of greenhouse gasses by the aviation industry. The precise nature of any such requirements and their applicability to the aviation subsidiaries of the Company and their customers are difficult to predict, but the impact to the aviation industry would likely be adverse and could be significant, including the potential for increased fuel costs, carbon taxes or fees, or a requirement to purchase carbon credits.

Dependence on Information Systems and Technology

Information systems are an important part of the business process of the subsidiaries, including marketing their products and services, managing inventory, co-coordinating logistical support, and managing finance functions. In addition, management of the Company and its subsidiaries will continue to rely on information systems to analyze operating performance on an ongoing basis and to aid in the preparation of budgets and forecasts. Any disruptions in these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect the Company's business, results from operations and financial condition.

Integration of complex systems and technology presents significant challenges in terms of costs, human resources and development of effective internal controls. In the ordinary course of business, systems will require modifications and refinements to address the Company's growth and business requirements. The subsidiaries could be adversely affected if they are unable to modify their systems as necessary.

The Company's reliance on information technology to manage its business exposes the Company to potential risks related to cybersecurity attacks and unauthorized access to the Company's, customers', suppliers', counterparties' and employees' sensitive or confidential information, (which may include personally identifiable information and credit information) through hacking, viruses and otherwise (collectively "cybersecurity threats"). The Company uses information technology systems and network infrastructure, which include controls for interconnected systems of generation, distribution, and transmission, some of which is shared with third parties for operating purposes. Through the normal course of business, the Company also collects, processes, and retains sensitive and confidential customer, supplier, counter-party and employee information.

Cybersecurity threats are continually growing and changing and require continuous monitoring and detection efforts to address. Despite security measures in place, the Company's systems, assets and information could be vulnerable to cybersecurity attacks and other data security breaches that could cause system failures, disrupt operations, adversely affect safety, result in loss of service to customers and result in the release of sensitive or confidential information. Despite such security measures, there is no assurance that cyber security threats can be fully detected, prevented or mitigated. Should such threats materialize, the Company could suffer costs, expenses, losses and damages such as property damage, corruption of data, lower earnings, reduced cash flow, third party claims, fines and penalties; all or some of which may not be recoverable through regulatory processes or otherwise.

International Operations Risks

Regional One conducts its business in certain countries other than Canada and the United States, some of which are politically unstable or subject to military or civil conflicts. Consequently, Regional One is subject to a variety of risks that are specific to international operations, including the following:

- military conflicts, civil strife, and political risks;
- export regulations that could erode profit margins or restrict exports;
- compliance with the applicable anti-bribery laws;
- the burden and cost of compliance with foreign laws, treaties, and technical standards and changes in those regulations;
- contract award and funding delays;
- potential restrictions on transfers of funds;
- import and export duties and value added taxes;
- foreign exchange risk;
- transportation delays and interruptions; and
- uncertainties arising from foreign local business practices and cultural considerations.

While Regional One has and will continue to adopt measures to reduce the potential impact of losses resulting from the risks of doing business internationally, the Company cannot ensure that such measures will be adequate or that the regions in which Regional One operates will continue to be stable enough to allow it to operate profitably or at all.

Fluctuations in Prices of Aviation Related Assets

Regional One uses a number of assumptions when determining the recoverability of inventories, aircraft, and engines, which are on lease, available for lease or for sale. These assumptions include historical sales trends, current and expected usage trends, replacement values, current and expected lease rates, residual values, future demand, and future cash flows. Reductions in demand for inventories or declining market values, as well as differences between actual results and the assumptions utilized by Regional One when determining the recoverability of inventories, aircraft, and engines, could result in impairment charges in future periods.

Regional One's operations include leasing aircraft and engines to its customers on an operating lease basis in addition to finance leases or sale transactions. Its ability to re-lease or sell these assets on acceptable terms when the operating lease expires is subject to a number of factors which drive industry capacity, including new aircraft deliveries, availability of used aircraft and engines in the marketplace, competition, financial condition of customers, overall health of the airline industry, and general economic conditions. Regional One's inability to re-lease or sell aircraft and engines could adversely affect its results of operations and financial condition.

Aviation Related Asset Acquisitions Price Volatility

The success of Regional One's business depends, in part, on its ability to acquire strategically attractive aircraft and enter into profitable leases or sale transactions upon the acquisition of such aviation related assets. The aircraft related assets leasing and sales industry can experience periods of undersupply and oversupply. Regional One may not be able to enter into profitable leases or sales transactions upon the acquisition of the new aircraft. An acquisition of one or more aircraft may not be profitable and may not generate sufficient cash flow to justify those acquisitions. If Regional One experiences significant delays in the implementation of its business strategies, including delays in the acquisition and leasing or sale of the aviation related assets, its fleet management strategy and long-term results of operations could be adversely affected.

The other entities within the Aviation segment also are exposed to changes in demand and availability of aviation related assets mainly when these entities are looking to replace or grow their aircraft fleet and to a lesser degree when disposing of aircraft from their fleets.

Financial Risks

Availability of Future Financing

The Company's ability to sustain continued growth depends on its ability to identify, evaluate and contribute financing to its subsidiaries where an initial source is from the cash generated from its subsidiaries. The Company may require additional equity or debt financing to meet its capital and operating expenditure requirements. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Company, in which event the financial condition of the Company may be materially adversely affected, lack of those funds could limit or delay future growth of the subsidiaries, and the amount of cash available for dividends to Shareholders may be reduced.

Laws, Regulations and Standards

The Company and its subsidiaries are subject to a variety of federal, provincial, state and local laws, regulations, and guidelines including but not limited to income, health and safety, competition, employment standards, securities laws (disclosure and insider trading), privacy laws, and airline safety. New, or changes in, accounting standards and pronouncements may also impact the Company's financial results. Failure by the Company to comply with applicable laws, regulations and standards could result in financial penalties, assessments or legal action that could have an adverse effect on the reputation and financial results of the Company and its subsidiaries. Furthermore, the financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have an adverse effect on the Company's business, results from operations and financial condition.

The airline industry in Canada, the United States and elsewhere in the world is subject to strict government standards and regulations. Government entities such as Transport Canada, the Competition Bureau, the Canadian Transportation Agency, the Federal Aviation Administration (FAA) and other government entities may implement new laws or regulatory schemes, or render decisions, rulings or changes in policy that could have a material adverse effect on the airline industry in general by significantly increasing the cost of airline operations, imposing additional requirements on operations, or reducing the demand for air travel. With respect to Regional One, its products that are to be installed in an aircraft, such as engines, engine parts, components and airframe and accessory parts and components, must meet certain standards of airworthiness established by the FAA or other regulatory agencies. New and more stringent governmental regulations may be adopted in the future that, if enacted, could have an adverse impact on the aviation subsidiaries of the Company.

While management believes that Perimeter, Keewatin, Calm Air, Bearskin, Custom Helicopters and Regional One are currently in compliance with all applicable government standards and regulations, there can be no assurance that the subsidiaries will be able to continue to comply with all applicable standards and regulations. A failure to comply with applicable standards and regulations could result in the revocation of the operating certificate of the applicable subsidiary and a temporary or permanent cessation of flight operations or the inability to sell its products and carry on business in the case of Regional One.

Certain of the subsidiaries process, transmit and store credit card data and are therefore subject to compliance with certain requirements established by credit card companies. Non-compliance with these requirements, whether through system breaches or limitations, may result in substantial fines and/or temporary or permanent exclusion from one or more credit card acceptance programs. The inability to process one or more credit card brands could have a material impact on the passenger bookings, revenue and profitability of certain of the subsidiaries.

The Company's business practices must comply with Canada's Corruption of Foreign Public Officials Act ("CFPOA"), the U.S. Foreign Corrupt Practices Act ("FCPA"), and any local anti-bribery or anti-corruption laws that may be applicable. These anti-bribery or anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence government officials or private individuals for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. These risks can be more acute in emerging markets. If violations of these laws were to occur, they could subject us to fines and other penalties as well as increased compliance costs and could have an adverse effect on the Company's reputation, business and results of operations and financial condition.

Income Tax Matters

The business and operations of the Company and its subsidiaries are complex and the Company has, over the course of its history, undertaken a number of significant financings, reorganizations, acquisitions and other material transactions, including the arrangement where the Company converted to a corporation from an income trust ("Arrangement"). The computation of income taxes payable as a result of these transactions involves many complex factors including the Company's interpretation of relevant tax legislation and regulations. While management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations, tax filing positions are subject to review and adjustment by taxation authorities who may challenge the Company's interpretation of the applicable tax legislation and regulations. In that regard, the Company receives from time to time correspondence from taxing authorities concerning its tax filing positions including, certain requests for information for a time period which includes the Arrangement. If any challenge to the Company's tax filing positions were to succeed, it could result in a reassessment of taxes or otherwise have a material adverse effect on the Company's tax position.

As noted in Section 2 – *Overview*, the Company announced on February 17, 2015, subsequent to the end of the 2014 year that it has entered into an agreement with the CRA regarding the CRA's objection to the tax consequences of the Arrangement. As a result of this settlement, the Company incurred a non-cash charge to deferred income taxes in 2014 representing the write-off of certain loss carryforwards that the Company previously recorded as deferred tax assets. Going forward the Company will not have the use of tax pools that accompanied the Arrangement and, as a result, will incur higher cash taxes.

Furthermore, Canadian and federal or provincial tax legislation may be amended, or its interpretation changed (whether by legislative or judicial action or decision), retroactively or for the future, which could adversely affect the Company's tax position.

Commodity Risk

Certain subsidiaries are vulnerable to price fluctuations in select commodities required to conduct business. Some of the products manufactured by the subsidiaries require specialized raw materials. If such raw materials are not available or not available under satisfactory terms, the applicable subsidiary may not be able to manufacture and fulfill customer orders. Sales levels and relationships with customers could be negatively affected as a result.

Fuel is a very significant cost component in the operation of the Aviation segment. Every $0.01 per liter change in the price of fuel has an approximately $0.5 million impact on the profitability of the Aviation segment. While most of the travel by the Aviation segment's customers is not discretionary (i.e. for medical or other necessary reasons) and overland travel from and to many of the communities serviced is only possible for brief periods of the year over winter roads, if prices were to escalate significantly it may impact demand for services. Second, if the competitive environment were to change, and the aviation subsidiaries were unable to pass these increased costs on to the customer, future profits would be negatively impacted.

The operations of the Manufacturing segment entities in Alberta act somewhat as a hedge to changes in the fuel prices. When oil prices are low, the Aviation segment benefits from lower input costs but lower oil prices have a negative impact on Alberta operations in the Manufacturing segment as the lower oil prices hurt the Alberta oil and gas market. As oil prices increase, fuel costs increase for the Aviation segment but this will increase demand for products manufactured by the Alberta operations in the Manufacturing segment.

The Aviation segment's entities providing scheduled and charter services are impacted by mineral commodity pricing as the service requirements of several major customers are impacted by mineral commodity pricing levels.

Foreign Exchange

The Company's financial results are sensitive to the changing value of the Canadian dollar. In particular, the Company's Canadian subsidiaries have significant annual net outflow of US dollars and is affected by fluctuations in the Canada/US dollar exchange rate. Outflows for expenses include items such as aircraft related maintenance costs and related parts purchased for the Aviation segment, capital purchased aircraft, and Hotsy machines and parts purchased by the Manufacturing segment. A significant deterioration of the Canadian dollar relative to the US dollar would result in increased costs and adversely affect the profitability of the Company.

A portion of the Company's revenues are generated in US dollars through its operations, primarily Regional One and Stainless, which acts as a natural hedge and mitigates the foreign exchange risk of the Company. The Company's exposure to the US dollar will be lessened as these entities' operations grow and generate additional free cash flow in US dollars. The Company does not regularly use derivative instruments to mitigate this risk beyond this level but for certain circumstances the Company may utilize short-term forward contracts or other similar derivative instruments to lock in a currency position for an upcoming transaction. The Company also applies hedge accounting for its exposure on the US dollar debt outstanding in the Canadian portion of its credit facility.

The Company reports in Canadian dollars and therefore a strengthening of the Canadian dollar will result in a decline in the Canadian equivalent reported from the Company's US subsidiaries in its consolidated financial statements.

Interest Rates

As at December 31, 2014, the credit facility has a variable interest rate on the Canadian and US portions of the amount outstanding under the facility. A one-percentage point increase in average interest rates would cost the Company approximately $0.2 million per annum for the credit facility based on the amounts outstanding as at that time. After financing the Provincial acquisition, a one-percentage point increase in average interest rates would cost the Company approximately $2.5 million per annum. The terms of the credit facility allow for the Company to choose the base interest rate between Prime, Bankers Acceptances or London Inter Bank Offer Rate (LIBOR). The Company manages the base rate used on the outstanding facility and seeks financing terms in individual arrangements that are most advantageous. The Company considers derivative instruments to manage the variable interest rate risk and has entered into interest rate swaps in order to manage this risk in the past. The Company's outstanding convertible debentures have fixed interest rates which are not affected by changes in rates.

Credit Facility and the Trust Indentures

The Company has significant debt service obligations pursuant to the financing agreements relating to the credit facility and the convertible debenture trust indentures. The degree to which the Company and its subsidiaries are leveraged could have important consequences to Shareholders, including:

- the ability of the Company and/or its subsidiaries to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;
- a substantial portion of cash flow from operations of the subsidiaries of the Company will be dedicated to servicing its indebtedness, thereby reducing funds available for future operations;
- certain borrowings of the Company and/or its subsidiaries will be at variable rates of interest, which will expose the Company and its subsidiaries to future fluctuations of interest rates; and
- the Company and/or its subsidiaries may be more vulnerable to economic downturns and may be limited in their ability to withstand competitive pressure.

The ability of the Company and/or its subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their respective indebtedness will depend on future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The financing agreements relating to the credit facility and trust indentures that govern the convertible debentures contain restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants may place significant restrictions on, among other things, the ability of the subsidiaries and other restricted parties under such financing agreements to incur additional indebtedness, to create liens or other encumbrances, to pay dividends, to redeem equity or debt or make certain other payments, investments, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the financing agreements relating to the credit facility contain a number of financial covenants that require the Company to meet certain financial ratios and financial condition tests. A failure to comply with the obligations and covenants under the financing agreements relating to the credit facility or the trust indentures that govern the convertible debentures could result in an event of default under such agreements, as the case may be, which, if not cured or waived, could permit acceleration of indebtedness. If the indebtedness under such agreements were to be accelerated, there can be no assurance that the assets of the Company and its subsidiaries under such agreements would be sufficient to repay that indebtedness in full.

Dividends

Although the Company intends to continue to declare and pay monthly dividends on Shares, there can be no assurance that dividends will continue in the future at the same frequency and in the same amounts, or at all. The actual amount of dividends declared and paid by the Company in respect of the Shares will depend upon numerous factors, including profitability, fluctuations in working capital, and the sustainability of margins and capital expenditures of its subsidiaries.

Unpredictability and Volatility of Share Prices

The market price of the Shares could be subject to significant fluctuations in response to variations in operating results, monthly distributions, and other factors. In addition, industry specific fluctuations in the stock market may adversely affect the market price of Shares regardless of the operating performance of the Company. There can be no assurance of the price at which the Shares will trade. The annual dividend yield on the Shares as compared to the annual yield on other financial instruments may also influence the price of Shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Shares.

Dilution Risk

The authorized share capital of the Company is comprised of an unlimited number of Shares. The Company may issue additional Shares, or securities which are convertible, exchangeable or exercisable into Shares, for consideration and on those terms and conditions as are established by the Company without the approval of Shareholders. The Company intends to pursue further acquisitions which will likely require the issuance of additional Shares.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations and the Company is exposed to credit risk from its customers or parties where the Company has advanced funds under a promissory note or loan arrangement. This includes lease arrangements for Regional One where long-term receivables are recognized with aviation companies in finance lease arrangements.

Human Capital Risks

Management and Operations

The Board of Directors has the following sub-committees that relate to the subsidiaries: the Manufacturing Sector Committee and the Aviation Sector Committee. Each sub-committee oversees the management and operation of the particular subsidiaries in their segment on behalf of the Board of Directors. As a result, Shareholders have limited say in matters affecting the operation of the subsidiaries and, if Shareholders are in disagreement with the decisions of the Board of Directors, they will have limited recourse. The control exercised by the Board of Directors may make it more difficult for others to attempt to gain control or influence the activities of a subsidiary.

Reliance on Key Personnel

The success of the Company is dependent on a number of key senior employees both at the Company's head-office level and at the subsidiary level. The loss of any one of these key employees would impair the Company's ability to operate at its optimum level of performance and could have an adverse effect on the Company's business, results from operations and financial condition. There can be no assurance that the Company will be able to retain its existing senior management, attract additional qualified executives or adequately fill new senior management positions or vacancies created by expansion or turnover at either the head-office level or subsidiary level.

Employees and Labour Relations

The success of the subsidiaries is dependent in large part upon their ability to attract and retain key management and employees. Recruiting and maintaining personnel in the industries in which the subsidiaries are involved is highly competitive and it cannot be guaranteed that these entities will be able to attract and retain the qualified personnel needed for their businesses. In particular, skilled labour for the WesTower operations of tower maintenance and erection, and the metal fabricators in the Alberta operations are specialized and can be difficult to find qualified personnel and retain them given the competitive environments that these businesses operate in. As well, the pilots, nurses and maintenance personnel within the Aviation segment's operations are in high demand within the aviation industry. A failure to attract or retain qualified personnel could have an adverse effect on the Company's business, results from operations and financial condition.

Certain employees within the Aviation segment have labour-related agreements but there can be no assurance that future agreements with employees' unions or the outcome of arbitrations will be on terms consistent with the Company's expectations or comparable to agreements entered into by the Company's competitors. Any future agreements or outcome of negotiations, mediations or arbitrations including in relation to wages or other labour costs or work rules may result in increased labour costs or other charges which could have an adverse effect on the Company's business, results from operations and financial condition.

There can be no assurance that there will not be a labour conflict that could lead to an interruption or stoppage in the Company's service or otherwise adversely affect the ability of the Company to conduct its operations, all of which could have a material adverse effect on its business, results from operations and financial condition.

Conflicts of Interest

The Company may be subject to various conflicts of interest due to the fact that its Directors and management are or may be engaged in a wide range of other business activities. The Company may become involved in transactions that conflict with the interests of the foregoing. The Directors and management of the Company and associates or affiliates of the foregoing may from time to time deal with persons, firms, institutions or organizations with which the Company may be dealing, or which may be seeking investments similar to those desired by the Company. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Any such conflicts will be resolved in accordance with the provisions of the Canada Business Corporations Act (CBCA) relating to conflicts of interest.

Subsequent Event

On January 2, 2015, subsequent to the end of the 2014 year, the Company acquired the operations and assets of Provincial. Certain of the aforementioned risks will also apply in the context of the newly acquired subsidiary. Additional risk considerations that will be considered in 2015 as known at the time of this report include:

Warranty Risk

Provincial Aerospace manufactures highly complex and sophisticated surveillance aircrafts, incorporating various technologies and components. These aircrafts are subject to detailed specifications, which are listed in contracts with customers, as well as to stringent certification or approval requirements. Defects may be found in products before and/or after they are delivered to the customer that could result in significant additional costs to modify and/or retrofit to correct defects. The occurrence of defects and failures could give rise to non-conformity costs, including warranty and damage claims, negatively affecting reputation and profitability and could result in the loss of customers. Correcting such defects could require significant capital investment where such claims cannot be passed on to component equipment suppliers.

UAE Offset Risk

Offset obligations are common in numerous countries in the global aerospace market. All government defense and aerospace supply contracts in the United Arab Emirates ("UAE") are subject to offset obligations, calculated as a percentage of the value of the supply contract. A profitable business within the UAE is required to generate offset credits; upon which there is a period to generate sufficient offset credits. In the event that an offset business plan is not approved or sufficient offset credits are not generated, Provincial Aerospace may not be able to generate offset credits and be subject to financial penalties which could have a material adverse effect on its business, results from operations and financial condition. The lack of an approved offset business plan to create a profitable business could further impact the Company's ability to attain new contracts in the UAE.

13. Outlook

Acquisition Strategy

During the 2014 period, the Company closed the divestment of its WesTower US operation and announced the acquisition of Provincial. This is the largest acquisition in the history of the Company and through it the Company enters into the aerospace sector, which is a dynamic growth platform for the Company. Provincial will be part of the consolidated group of companies within the Aviation segment, commencing January 2, 2015 when the transaction closed.

The growth at WesTower US eroded the beneficial diversification attributes of the Company's revenue and profit streams. The Company's profitable divestiture of WesTower US operations, the acquisition of Provincial and continued organic growth addresses the objective of restoring the diversity and balance to the portfolio of subsidiaries. The Company's acquisition strategy remains focused on accretive opportunities that further strengthen and diversify the portfolio of operating companies.

After closing the Provincial acquisition on January 2, 2015, the Company had approximately $90 million of available capital under its $335 million senior credit facility. On February 9, 2015, the Company announced the amendment of its credit facility expanding the facility to $450 million, providing EIC with approximately $200 million of available capital (ignoring the impact of foreign exchange).

In 2014 the Company significantly expanded the business development and acquisitions team enabling the Company to examine opportunities to rebalance the income streams, not only through acquisition but through the growth and integration of our existing subsidiaries.

The Company continues to develop and expand its network of referral sources that regularly present it with potential acquisitions. The Company also independently assesses certain markets and regions to identify potential targets. The Company believes that its disciplined approach to acquisitions is largely responsible for the success that has been experienced to date. While the deal flow brought to the Company is considered strong, there can be no assurance target companies meeting the Company's standards will be identified.

Aviation Segment

The Aviation segment operated five aviation companies in 2014 providing fixed and rotary wing, scheduled, charter, cargo, and medevac services in Manitoba, Ontario, Nunavut and Alberta. In contrast to other North American and global airline carriers, a large percentage of the Company's aviation transportation subsidiaries operate in remote communities where demand is relatively inelastic, mitigating the impact of changes in the economic climate. This provides additional stability in a core part of the segment's business. As of April 2013, this segment includes Regional One, a leading provider of aircraft and engine aftermarket parts to regional airline operators in the global community.

Provincial will be added to the Aviation segment in 2015, bringing the number of aviation companies in the segment to six. Provincial has three distinct business units: a scheduled airline, fixed base operations and aerospace, with a fleet of 30 aircraft.

Provincial operates its scheduled airline services in Newfoundland and Labrador, Quebec, New Brunswick and Nova Scotia providing approximately 210 scheduled flights weekly as well as chartered and medevac services throughout the region. The aerospace business designs, modifies, maintains and operates custom sensor equipped aircraft. It has maritime surveillance and support operations in Canada, the Caribbean and the Middle East.

Provincial's maritime surveillance and support operations, which constitute the largest segment of Provincial's operations, are a new niche market for the Company and the revenue streams come from several different geographic areas around the world.

The acquisition is expected to be immediately accretive to the Company's key financial metrics, including EBITDA, cash flows, earnings per share and Free Cash Flow. The acquisition allows the Company to further diversify its revenue streams and cash flow by entering new product and geographical markets both within Canada and internationally.

As discussed in the commentary, the Aviation fixed and rotary wing operations were negatively impacted by unfavorable weather conditions during the 2014 period. Despite the challenges imposed on the Company from uncontrollable seasonal factors, the Aviation segment experienced growth in revenue and EBITDA throughout 2014. The improvement is due primarily to the strong performance at Calm Air and Regional One. This continued into the final quarter of 2014 and is anticipated to continue into 2015, with both of these companies continuing to be significant contributors.

Calm Air will continue to benefit from past investment in northern infrastructure and their now completed fleet rationalization with the fourth and final planned ATR-72 entering service in the fourth quarter. This plan increased capacity and added operational efficiencies through streamlining the fleet to consist of ATR-42 and ATR-72 aircraft. Management believes the recent investment in Calm Air's infrastructure and growth capital expenditures will yield additional improvement going forward as well as support additional future growth opportunities.

Regional One continually monitors its inventory and lease portfolios to ensure a proper sales complement and to grow and diversify its sales portfolio. Regional One recently entered into an agreement with Lufthansa CityLine to acquire twelve Bombardier CRJ700 aircraft equipped with CF34-8C5B1 engines. Regional One has taken delivery of three of these aircraft with the remaining to be delivered over the next 9 to 12 months. Regional One anticipates that revenue generation will begin in the first quarter of 2015. Regional One continues to focus on growing its next generation of products such as Bombardier Q400 and CRJ700/900 products where there is a strong demand for serviceable engines and rotable components. Over the last five quarters Regional One's performance has been strong and management remains confident that their current asset portfolio and pipeline of opportunities provides a good foundation for sustained growth and success. Given the nature of the business, individual quarters may experience some variability of customer demands that could lead to potentially lower yield results than those experienced in the last few quarters.

On a comparative basis revenue from the Bearskin operation continued to be less than 2013 as it completed the third quarter of its restructuring plan. Coupled with the route rationalization and corresponding revenue decline are significant cost reductions focused on the rightsizing of the Bearskin operation back to profitability. The results of the restructuring plan have already started to materialize resulting in an increase in EBITDA from the third quarter to the fourth quarter. Management continues to closely monitor Bearskin operations and expects the benefits of the restructure plan to continue throughout 2015.

The segment has a few key contracts. Two such contracts are with the Government of Nunavut to provide medevac services to the Central and Eastern Regions of the territory. One of these contracts expires at the end of 2015 and has two one-year extensions while the other ends in 2016 with a two-year extension available. These contracts give the Company a strong base level of service in the North. A third contract with the territory provides transportation services to medical patients and government workers and was renewed for a one year extension in the second quarter to provide services through to August 31, 2015. In September, the Company signed a 10-year strategic alliance agreement with Sakku Investments Corporation which provides a partner for bidding on government contracts, and other contracts within the mining and exploration industry.

Fuel price volatility can have a significant short-term impact on profitability. The unanticipated decline in fuel prices that began in the third quarter accelerated, along with the fall in crude oil prices, throughout the fourth quarter. Further declines in the price of fuel, and the duration of those lower fuel prices are impossible to accurately predict. Every $0.01 per liter change in the price of fuel has an approximately $0.5 million impact on the profitability of the Aviation segment. A significant minority of the fuel purchased has no bottom line effect because it is contractually passed on to the customer.

The Aviation segment is impacted by fluctuations in foreign currency as a result of the segment's dependency on aircraft, related parts and maintenance service costs for its fleet of aircraft as these costs are all primarily incurred in US dollars. Driven by falling energy and commodity prices, the Canadian dollar exchange rate against the US dollar has declined significantly, impacting the six aviation companies' parts and maintenance costs; however, Regional One acts as a natural hedge for the segment thereby reducing the net exposure. Secondly, Regional One creates a proxy for vertical integration into this major expense category.

We are now entering the third year of declining commodities prices which continues to drive a world-wide slowdown in mining and mineral exploration and development, including in Canada. The slowdown in exploration and development projects has impacted the aviation companies in the segment as the demand for transportation to support these activities has also declined. To mitigate this impact the Company is focusing on other opportunities such as the Keeyask Project. The construction of this new hydro generating facility and related power transmission line is a collaborative effort between Manitoba Hydro and four Manitoba First Nations working together as the Keeyask Hydropower Limited Partnership. The multi-year project, which started construction in July 2014, will positively impact demand for the segment's transportation services. Further strengthening this segment are current initiatives to partner both among the entities in the segment and with external parties. These partnering initiatives will allow the segment to capitalize on growth opportunities in new markets, while reducing the capital required to generate this growth.

Despite the negative impacts from environmental and continued weakness in demand from natural resource based industries, the Company is emerging from this period with significant short term and long term opportunities. Management believes that the segment will continue to benefit from recent capital investment in Calm Air and Regional One as well as from recent operational restructuring and realignment and anticipates continual improvement going forward.

Manufacturing Segment

The Manufacturing segment includes the operations of WesTower CDA, Stainless, Overlanders and the Alberta Operations. For the year the segment's revenue increased slightly with EBITDA effectively unchanged from the previous year.

The telecommunication companies in the Canadian market continue to execute their build plans. WesTower CDA expects to see continued strong demand across the country in 2015. There remains significant demand for both growth of the existing spectrum infrastructure along with strong demand for the build-out of the 700 mHz spectrum infrastructure awarded in the last Canadian government's spectrum auction. In addition to these major build-out programs, WesTower CDA continues to capitalize on opportunities with many individual projects across the country for a variety of non-telecommunications customers. WesTower CDA remains the dominant national supplier in Canada and is well positioned to meet the needs of the telecommunication communication companies throughout this build plan.

Stainless continues to produce good results despite the lack of large field projects, which have historically had higher margins. Stainless is actively pursuing such opportunities and remains very confident in its competitive position for these projects. Stainless is further confident that as the economic recovery in the US continues, the US market will see the release of more larger project bids. Stainless is well positioned to capture its market share as the economy recovers and capital spending accelerates. Continued strong demand for shop work has partially offset the reduced large field project work. Stainless has been able to adapt its production scheduling and incorporate innovative manufacturing processes to accommodate the increased shop volumes. Stainless has faced these types of challenges before and is experienced in managing through them. The recent and continuing depreciation of the Canadian dollar has, and will continue to have, a positive impact on the conversion of its US dollar results into the Company's Canadian reporting currency.

Throughout the year the Alberta Operations experienced significant growth. The growth primarily came from its established markets in Alberta while its newer markets of southeastern Saskatchewan and North Dakota operations continue to develop a market presence with customized Water Blast equipment. The Alberta Operations have been most successful with their customized equipment sales in its traditional oil and gas market in Alberta. These customized products are very effective for the oil and gas industry but are new to the Bakken region and establishing market recognition and demand takes time. With a dependence on purchasing much of its inventory from a US supplier, there has been an erosion of margin due to the weakening Canadian dollar. This exchange rate driven cost pressure, together with weaker demand due to the impacts of lower oil prices on activity in the Alberta Operations markets may limit the ability of management to maintain margins through increased prices to customers. The recent precipitous decline in the price of oil is beginning to have an impact on the Alberta Operations sales through significant reductions in capital spending by nearly all North American energy companies. Management is closely monitoring the demand for its products and will adapt prices and market strategy as required.

Overlanders continued to enjoy strong and growing demand throughout the year. The majority of the increased volume came from Overlanders' largest customer. Initially this growth caused some inefficiency as Overlanders worked to ensure on-time delivery. However, by the end of the year management had taken many steps to adapt to the higher volume of activity while maintaining quality and strengthening key customer relationships. In 2014, Overlanders added a new powder coating operation that will provide Overlanders with greater efficiency and improved quality control. The investment will also allow Overlanders to offer clients an integrated, comprehensive manufactured component solution, creating a further competitive advantage over its competitors.

14. Non-IFRS Financial Measures

EBITDA, Adjusted Net Earnings, Free Cash Flow and Maintenance Capital Expenditures are not recognized measures under IFRS and are, therefore, defined below.

EBITDA: is defined as earnings before interest, income taxes, depreciation, amortization, other non-cash items such as gains or losses recognized on the fair value of contingent consideration items, asset impairment and restructuring costs, and any unusual non-operating one-time items such as acquisition costs. It is used by management to assess its consolidated results and the results of its operating segments. EBITDA is a performance measure utilized by many investors to analyze the cash available for distribution from operations before allowance for debt service, capital expenditures and income taxes.

Adjusted Net Earnings: is defined as net earnings from continuing operations adjusted for acquisition costs expensed, impairment and restructuring charges (including accelerated depreciation charges), gains or losses recognized on the fair value of contingent consideration items, amortization of intangible assets that are purchased at the time of acquisition, and the non-cash charge to deferred income taxes incurred as a result of the Company's settlement with the CRA on certain tax loss carryforwards associated with the conversion of the Company from an income trust to a corporation.

Adjusted net earnings	Fiscal 2014	Q4	Q3	Q2	2014 Q1
Net earnings (loss) — continuing operations	$ (11,625)	$ (17,729)	$ 5,172	$ 1,282	$ (350)
Adjusting items, net of tax					
Tax on CRA Settlement	22,860	22,860	—	—	—
Acquisition costs	880	351	470	19	40
Intangible asset amortization	1,659	433	419	417	390
Impairment and restructuring	1,433	—	—	1,433	—
Consideration liability fair value adjustment	(410)	—	—	(161)	(249)
Adjusted net earnings (loss) — continuing operations	$ 14,797	$ 5,915	$ 6,061	$ 2,990	$ (169)

Adjusted net earnings	Fiscal 2013	Q4	Q3	Q2	2013 Q1
Net earnings (loss) — continuing operations	$ 10,599	$ 3,338	$ 5,314	$ 5,172	$ (3,225)
Adjusting items, net of tax					
Acquisition costs	1,669	—	1	838	830
Intangible asset amortization	1,506	508	410	380	208
Consideration liability fair value adjustment	(662)	(137)	(115)	(410)	—
Adjusted net earnings (loss) — continuing operations	$ 13,112	$ 3,709	$ 5,610	$ 5,980	$ (2,187)

Free Cash Flow: for the period is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital and any unusual non-operating one-time items. Free Cash Flow is a performance measure used by investors to analyze the cash generated from operations before the seasonal impact of changes in working capital items or other unusual items.

Maintenance Capital Expenditures: are the capital expenditures made by the Company to maintain the operations of the Company at its current level and includes the principal payments made by the Company on any of its finance leases. Other capital expenditures are classified as growth capital expenditures and are not considered by management in determining the cash flows required to sustain the current operations of the Company.

The Company's maintenance capital expenditures include aircraft engine overhauls and airframe heavy checks that are recognized when these events occur and can be significant. Each aircraft type has different requirements for its major components according to manufacturer standards and the timing of the event can be dependent on the extent that the aircraft is utilized. As a result the extent and timing of these maintenance capital expenditure events can be very lumpy from period to period, both within the year and when analyzing to the comparative period in the prior year.

Investors are cautioned that EBITDA, Adjusted Net Earnings, Free Cash Flow and Maintenance Capital Expenditures should not be viewed as an alternative to measures that are recognized under IFRS such as net earnings or cash from operating activities. The Company's method of calculating EBITDA, Adjusted Net Earnings, Free Cash Flow and Maintenance Capital Expenditures may differ from that of other entities and therefore may not be comparable to measures utilized by them.

Additional Information

Additional information relating to the Company is on SEDAR at www.sedar.com.

15. Selected Annual Information

The following table provides selected annual information for the Company for the years ended 2012 through to 2014.

From continuing operations	2014	2013	2012
Revenues	$ 542,503	$ 509,052	$ 486,150
Expenses[1]	448,225	427,272	414,497
EBITDA	$ 94,278	$ 81,780	$ 71,653
Total non-operating income (expense)	105,903	71,181	59,291
Net earnings (loss) from continuing operations	$ (11,625)	$ 10,599	$ 12,362
Adjusted net earnings from continuing operations	$14,797	$13,112	$16,161
Earnings per share			
Basic	$ (0.53)	$ 0.50	$ 0.62
Diluted	(0.53)	0.49	0.62
Adjusted net earnings from continuing operations per share			
Basic	$ 0.67	$ 0.61	$ 0.81
Diluted	0.66	0.61	0.81
Dividends declared	$ 37,424	$ 35,889	$ 32,717
Per share	1.69	1.68	1.63
Free cash flow	$ 76,980	$ 64,372	$ 61,690
Per share basic	3.48	3.00	3.08
Per share fully diluted	2.96	2.65	2.67
Free cash flow less maintenance capital expenditures	$ 35,119	$ 27,061	$ 30,849
Per share basic	1.59	1.26	1.54
Per share fully diluted	1.55	1.26	1.46
Financial Position			
Working capital	$ 95,784	$ 256,646	$ 156,561
Total assets	715,103	961,372	709,370
Total long-term liabilities[2]	272,164	435,799	229,450
Total liabilities	415,510	655,546	414,828
Share Information			
Common shares outstanding as at December 31,	22,507,341	21,752,400	20,636,593

Note 1) Expenses include direct operating expenses (excluding depreciation and amortization), cost of goods sold (excluding depreciation and amortization) and general and administrative expenses, but it excludes any unusual non-operating one-time items.

Note 2) Long-term liabilities include the non-current portions of long-term debt and finance leases, convertible debentures, and other long-term liabilities.

INDEPENDENT AUDITORS REPORT

February 19, 2015

Independent Auditor's Report

To the Shareholders of Exchange Income Corporation

We have audited the accompanying consolidated financial statements of Exchange Income Corporation and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and December 31, 2013, and the related notes, which comprise 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 audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

PricewaterhouseCoopers LLP

Chartered Accountants

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	As at December 31, 2014	As at December 31, 2013
Assets		
Current		
Cash and cash equivalents	$ 14,968	$ 23,168
Accounts receivable	82,575	141,947
Costs incurred plus recognized profits in excess of billings (Note 15)	11,507	176,971
Inventory (Note 7)	84,020	109,195
Prepaid expenses and deposits	6,249	10,375
Income taxes receivable	—	4,496
	199,319	466,152
Other Assets (Note 8)	9,110	8,717
Capital Assets (Note 9)	364,914	331,351
Intangible Assets (Note 10)	42,760	46,415
Deferred Income Tax Assets (Note 25)	397	1,302
Goodwill (Note 10)	98,603	107,435
	$ 715,103	$ 961,372
Liabilities		
Current		
Accounts payable and accrued expenses	$ 83,531	$ 151,191
Income taxes payable	1,809	—
Deferred revenue	8,009	9,063
Billings in excess of costs incurred plus recognized profits (Note 15)	9,079	43,602
Current portion of long-term debt and finance leases (Note 11)	1,107	1,326
Current portion of convertible debentures (Note 12)	—	4,324
	103,535	209,506
Long-Term Debt and Finance Leases (Note 11)	16,636	218,921
Other Long-Term Liabilities	436	1,296
Convertible Debentures (Note 12)	255,092	215,582
Deferred Income Tax Liability (Note 25)	39,811	10,241
	415,510	655,546
Equity		
Share Capital (Note 13)	308,919	295,939
Convertible Debentures — Equity Component (Note 12)	13,877	12,216
Contributed Surplus — Matured Debentures	124	102
Deferred Share Plan (Note 19)	3,802	2,619
Reserved Shares	—	623
Retained Earnings		
Cumulative Earnings	146,257	138,002
Cumulative Dividends (Note 14)	(189,073)	(151,649)
	(42,816)	(13,647)
Accumulated Other Comprehensive Income	15,687	7,974
	299,593	305,826
	$ 715,103	$ 961,372

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

Approved on behalf of the directors by:

Duncan Jessiman, Director

Donald Streuber, Director

CONSOLIDATED STATEMENTS OF INCOME

(in thousands of Canadian dollars, except for per share amounts)	For the years ended December 31, 2014	2013
		Restated Note 26
Revenue		
Aviation (Note 15)	$ 339,084	$ 313,214
Manufacturing	203,419	195,838
	542,503	509,052
Expenses		
Aviation expenses — excluding depreciation and amortization (Note 15)	217,496	208,898
Manufacturing expenses — excluding depreciation and amortization	155,244	149,146
General and administrative	75,485	69,228
	448,225	427,272
Operating Profit Before Depreciation, Amortization, Finance Costs and Other (Note 4)	94,278	81,780
Depreciation and amortization	50,481	44,358
Finance costs — interest	21,493	17,712
Acquisition costs	880	1,669
Consideration liability fair value adjustment	(651)	(1,051)
Impairment and restructuring (Note 16)	1,300	—
Earnings Before Income Taxes	20,775	19,092
Income Tax Expense (Note 25)		
Current	788	4,097
Deferred	31,612	4,396
	32,400	8,493
Net Earnings (Loss) from continuing operations	(11,625)	10,599
Net earnings (loss) from discontinued operations (Note 26)	19,880	(1,615)
Net Earnings	$ 8,255	$ 8,984
Earnings (Loss) Per Share — continuing operations (Note 17)		
Basic	$ (0.53)	$ 0.50
Diluted	$ (0.53)	$ 0.49
Earnings Per Share		
Basic	$ 0.37	$ 0.42
Diluted	$ 0.37	$ 0.42

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Attributable to common shareholders	For the years ended December 31,	
(in thousands of Canadian dollars)	2014	2013
Net Earnings	$ 8,255	$ 8,984
Other Comprehensive Income (Loss)		
Items that are or may be reclassified to the Statement of Income		
Cumulative translation adjustment, net of tax	21,080	11,701
Reclassification of cumulative translation adjustment to (profit)/loss (Note 26)	(17,521)	—
Net gain (loss) on hedge of net investment in foreign operation	(5,363)	(4,302)
Reclassification of hedge of net investment to (profit)/loss (Note 26)	9,517	—
	7,713	7,399
Comprehensive Income	$ 15,968	$ 16,383

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Share Capital	Convertible Debentures – Equity Component	Contributed Surplus – Matured Debentures
Balance, January 1, 2013	$ 268,494	$ 9,304	$ 102
Shares issued to acquisition vendors	18,592	—	—
Convertible debentures			
Converted into shares	2,577	(151)	—
Issued	—	3,063	—
Shares issued under dividend reinvestment plan	4,174	—	—
Deferred share plan vesting	—	—	—
Shares issued under ESPP	1,491	—	—
Shares issued under vesting of reserved shares	611	—	—
Comprehensive income	—	—	—
Dividends declared	—	—	—
Balance, December 31, 2013	$ 295,939	$ 12,216	$ 102
Balance, January 1, 2014	$ 295,939	$ 12,216	$ 102
Shares issued to acquisition vendors (Note 6)	2,411	—	—
Convertible debentures (Note 12)			
Converted into shares	4,297	(115)	—
Issued	—	1,798	—
Matured	—	(22)	22
Shares issued under dividend reinvestment plan (Note 13)	4,304	—	—
Shares issued under First Nations community partnership agreements	112	—	—
Deferred share plan vesting	—	—	—
Deferred share plan issuance	83	—	—
Shares issued under ESPP (Note 19)	1,150	—	—
Shares issued under vesting of reserved shares	623	—	—
Comprehensive income	—	—	—
Dividends declared (Note 14)	—	—	—
Balance, December 31, 2014	$ 308,919	$ 13,877	$ 124

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

		Retained Earnings			
Deferred Share Plan	Reserved Shares	Cumulative Earnings	Cumulative Dividends	Accumulated Other Comprehensive Income (Loss)	Total
$ 1,575	$ 1,234	$ 129,018	$ (115,760)	$ 575	$ 294,542
—	—	—	—	—	18,592
—	—	—	—	—	2,426
—	—	—	—	—	3,063
—	—	—	—	—	4,174
1,044	—	—	—	—	1,044
—	—	—	—	—	1,491
—	(611)	—	—	—	—
—	—	8,984	—	7,399	16,383
—	—	—	(35,889)	—	(35,889)
$ 2,619	$ 623	$ 138,002	$ (151,649)	$ 7,974	$ 305,826
$ 2,619	$ 623	$ 138,002	$ (151,649)	$ 7,974	$ 305,826
—	—	—	—	—	2,411
—	—	—	—	—	4,182
—	—	—	—	—	1,798
—	—	—	—	—	—
—	—	—	—	—	4,304
—	—	—	—	—	112
1,266	—	—	—	—	1,266
(83)	—	—	—	—	—
—	—	—	—	—	1,150
—	(623)	—	—	—	—
—	—	8,255	—	7,713	15,968
—	—	—	(37,424)	—	(37,424)
$ 3,802	—	$ 146,257	$ (189,073)	$ 15,687	$ 299,593

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	For the years ended December 31, 2014	2013
Operating Activities		
Net earnings for the year	$ 8,255	$ 8,984
Items not affecting cash:		
Depreciation and amortization	53,837	48,216
Accretion of interest	4,980	4,533
Long-term debt discount	65	(65)
Unrealized foreign exchange (gain) loss on debt	—	(38)
Gain on disposition of discontinued operations (Note 26)	(16,446)	—
Gain on sale of disposal of capital assets	(1,563)	(1,310)
Deferred income tax expense	29,166	3,113
Deferred share program share-based vesting	1,266	1,044
Consideration fair value adjustment	(651)	(1,013)
	78,909	63,464
Changes in non-cash operating working capital items (Note 23)	20,923	(69,829)
	99,832	(6,365)
Financing Activities		
Proceeds from (repayment of) long-term debt & finance leases, net of issuance costs	(214,060)	139,678
Proceeds from issuance of debentures, net of issuance costs (Note 12)	37,720	61,809
Payment of matured debentures	(319)	—
Proceeds from issuance of shares, net of issuance costs	8,600	6,276
Cash dividends (Note 14)	(37,424)	(35,889)
	(205,483)	171,874
Investing Activities		
Purchase of capital assets, net of disposals	(84,050)	(80,331)
Purchase of intangible assets	(297)	(188)
Repayment of (investment in) other assets	2,146	(5,632)
Cash outflow for acquisitions, net of cash acquired	—	(58,071)
Disposal of discontinued operations, net of cash disposed of	182,937	—
Finance lease receivable payments, net of reserves	(3,285)	(2,285)
	97,451	(146,507)
Net Increase (Decrease) in Cash and Cash Equivalents	(8,200)	19,002
Cash and Cash Equivalents, Beginning of Year	23,168	4,166
Cash and Cash Equivalents, End of Year	$ 14,968	$ 23,168
Supplementary cash flow information		
Interest paid	$ 20,347	$ 16,344
Income taxes (recovered) paid	$ (3,482)	$ 10,131

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013
(in thousands of Canadian dollars, unless otherwise noted and except per share information and share data)

1. Organization

Exchange Income Corporation ("EIC" or the "Company") is a diversified, acquisition-oriented corporation focused on opportunities in two sectors: aviation services and equipment, and manufacturing. In particular businesses that are suited for public markets, except, in certain circumstances, for their size. The business plan of the Company is to invest in profitable, well-established companies with strong cash flows operating in niche markets. The Company is incorporated in Canada and the address of the registered office is 1067 Sherwin Road, Winnipeg, Manitoba, Canada R3H 0T8.

As at December 31, 2014, the principal wholly-owned operating subsidiaries of the Company are Perimeter Aviation LP ("Perimeter"), Keewatin Air LP ("Keewatin"), Calm Air International LP ("Calm Air"), Bearskin Lake Air Service LP ("Bearskin"), Custom Helicopters Ltd. ("Custom Helicopters"), 4873999 Manitoba Ltd., 7328010 Canada Ltd., Overlanders Manufacturing LP ("Overlanders"), Water Blast Manufacturing LP ("Water Blast"), WesTower Communications Ltd. ("WesTower CDA"), EIC Ireland Leasing Ltd. ("EIC Ireland" – Note 6), R1 Canada LP ("Regional One Canada"), EIC Luxembourg Sarl ("EIC Luxembourg"), EIC Ireland Leasing No. Two Limited ("EIC Ireland Two" – Note 6), and EIIF Management USA Inc. ("EIIF USA"). Stainless Fabrication, Inc. ("Stainless"), Dallas Sailer Enterprises, Inc. ("Water Blast Dakota"), and Regional One, Inc. ("Regional One") are wholly owned subsidiaries of EIIF USA. Through the Company's subsidiaries, products and services are provided in two business segments: Aviation and Manufacturing.

On October 20, 2014, the Company completed the sale of WesTower Communications Inc. (the US operations of WesTower – "WesTower US") and within these consolidated financial statements the operations of WesTower US are presented as Discontinued Operations (Note 26).

On November 12, 2014, the Company announced the acquisition of Provincial Aerospace Ltd. ("Provincial") (Note 27). These consolidated financial statements do not include any results of Provincial as the acquisition was completed on January 2, 2015.

2. Basis of Preparation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") – Part I as set out in the CPA Canada Handbook – Accounting ("CPA Handbook"). Part I of the CPA Handbook incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements are presented in thousands of Canadian dollars, except per share information and share data.

The consolidated financial statements were approved by the Board of Directors of the Company for issue on February 19, 2015.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements, which have been consistently applied to all the years presented, unless otherwise stated, are as follows:

a) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets, financial liabilities and derivative instruments to fair value.

b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Perimeter, Keewatin, Calm Air, Bearskin, Custom Helicopters, 4873999 Manitoba Ltd., 7328010 Canada Ltd., Overlanders, Water Blast, WesTower CDA, EIC Ireland, EIC Ireland Two, Regional One Canada, EIC Luxembourg, EIIF USA and its respective subsidiaries, including Stainless, Water Blast Dakota and Regional One. All significant inter-company transactions have been eliminated for purposes of these consolidated financial statements.

Subsidiaries are all entities (including structured entities) which the Company controls. The Company controls an entity when it is exposed to, or has the rights to, variable returns from its investment with the entity and has the ability to effect those returns through its power over those entities. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

c) Revenue Recognition

The Company recognizes revenue on various types of transactions. The Aviation segment recognizes revenue on the provision of flight, flight ancillary services, and the sale and/or lease of aircraft and aftermarket parts. The Manufacturing segment recognizes revenue on the sales of manufacturing products and services.

Aviation Revenues

The Company records flight revenue at the time when the flight has been completed. Tickets sold but for which the customer has not flown are reflected on the consolidated statement of financial position as deferred revenue and recognized as flight revenue when the service is provided or when the ticket expires. Perimeter offers a customer loyalty program where a customer receives a loyalty point as a percentage of each ticket purchased. The award points are recognized as a separately identifiable component of the initial sale of the ticket, by allocating the fair value of the consideration received between the award points and the sale of the ticket. The fair value of the award points is deferred and is recognized as revenue on redemption of the award by the participant to whom the award is issued. The Company performs regular evaluations on the deferred revenue liability for passenger tickets purchased in advance within the Aviation segment's operating entities. These evaluations may result in adjustments being recognized as revenue. Due to the complexity of the pricing and systems, historical experience, and other factors including refunds, exchanges and unused tickets, certain amounts are recognized as revenue based on estimates. Events and circumstances may result in actual results that are different from estimates.

The Company recognizes aviation part sales revenue when the title has been passed to the customer, at the time the effective control of the product and the risks and rewards of ownership have been passed to the buyer. Payments received in advance are recorded as deferred revenue until the product has been delivered to the customer. In addition, the Company recognizes revenue from consignment sales in the same manner as discussed above. These sales have the characteristics of principal sales and are therefore recorded at the gross amount in revenue, with the payment to the consignor recorded as cost of sales.

Revenue from leasing of aircraft and aircraft equipment is recognized as revenue straight-line over the terms of the applicable lease agreements. Certain of the Company's lease contracts call for billings in advance. Rentals received, but unearned are deferred and recorded as deferred revenue on the statement of financial position. As part of terms of applicable lease agreements, customers are often required to make security deposits. These deposits are recorded as a liability on the statement of financial position within "Other Long-Term Liabilities".

The Company, as a dealer of certain aircraft and related components, may enter into a finance lease with customers. In such circumstances, the Company records a gross profit from the lease equivalent to the present value of the lease payments reduced by any down payments less the cost basis of the related asset. Discounted interest is earned over the term of the lease and recognized using the effective interest method. Long-term lease receivables relating to sales-type leases are recorded on the statement of financial position within "Other Assets".

Certain fuel sales transactions within the Aviation segment's aviation support entities have the characteristics of agent sales and as a result revenues are recorded based on the net amount retained which is the difference between the amount billed to a customer less the amount paid to the supplier. The amount receivable from the customer and the amount owing to the fuel supplier are not reported on a net basis.

Manufacturing Revenues

The Company recognizes manufacturing product revenue when the title has been passed to the customer, at the time the effective control of the product and the risks and rewards of ownership have been passed to the buyer, excluding revenues recognized by Stainless and WesTower CDA as described below on long-term contracts. Payments received in advance are recorded as deferred revenue until the product has been delivered to the customer.

Revenues from long-term contracts associated with manufacturing products are recognized on a percentage-of-completion basis. The operations of Stainless and WesTower CDA within the Manufacturing segment include these contracts. The percentage complete is calculated based upon contract costs incurred to date compared with total estimated contract costs.

The percentage complete is then applied to total anticipated contract revenue to determine the period's revenue. A provision for the estimated loss is made when contract costs are expected to exceed estimated contract revenue.

The Company presents two lines on the statement of financial position pertaining to long-term contracts revenue recognition. A current asset and current liability are recorded that represent the difference between the revenues recognized and the amounts billed to the customers of these long-term contracts. The current asset is called "Costs incurred plus recognized profits in excess of billings" and the current liability is called "Billings in excess of costs incurred plus recognized profits". Amounts billed to customers are presented as Accounts Receivable.

d) Expenses

Aviation expenses – excluding depreciation and amortization

The fixed and variable costs along with cost of sales incurred in the operations of the Company's Aviation segment are included in this line item. This includes costs related to shipping and handling and the cost of inventory. Depreciation and amortization are presented separately on a consolidated basis.

Manufacturing expenses – excluding depreciation and amortization

The cost of sales for the Company's Manufacturing segment is included in this line item. This includes costs related to shipping and handling and the cost of finished goods inventory. Depreciation and amortization are presented separately on a consolidated basis.

e) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each consolidated entity in the EIC group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is EIC's functional and presentation currency.

The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments. For these consolidated financial statements, the functional currency of Regional One, Stainless, WesTower US and Water Blast Dakota is US dollars.

If the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income.

f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments having a maturity of three months or less. Interest is recorded on an accrual basis. As at December 31, 2014, cash equivalents was nil (December 31, 2013 – nil).

g) Financial Instruments

Financial assets and liabilities are recognized on a trade date basis for regular way purchases and sales and when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. In the normal course of business, the Company may enter into master netting agreements of other similar agreements that do not meet the criteria for offsetting in the consolidated statement of financial position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or the termination of the contracts.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid after twelve months, which is classified as non-current.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of trade receivables, certain other assets and cash and cash equivalents. Loans and receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, long-term debt and finance leases and convertible debentures. Trade payables are initially recognized at fair value, net of any transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(iv) Derivative financial instruments: All derivatives have been classified as fair value through profit or loss, are included on the consolidated statement of financial position within accounts receivable or accounts payable and accrued expenses, as applicable, and are classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement are included in finance costs in the case of interest rate swaps and other gains and losses within general and administrative costs in the case of forward contracts.

The Company has used derivatives in the form of foreign exchange forward contracts to manage risks related to fluctuations in foreign currencies and/or net investments in foreign operations.

Hedges of a net investment in foreign operation

The Company applies hedge accounting to certain foreign currency differences arising between the functional currency of the foreign operation and the Company's presentation currency, regardless of whether the net investment is held directly or through an intermediate parent. The Company designates either financial liabilities and/or derivative financial instruments as hedging items of the net investments in a foreign operation.

Financial Liabilities

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective.

Derivative financial instruments

The Company may enter into derivative financial instruments to hedge its foreign currency exposure associated with its net investment in a foreign operation. Gains and losses on such derivative instruments are recognized in other comprehensive income to the extent the hedge is effective.

On initial designation of the derivative or financial liability as a hedging instrument, the Company formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. To the extent that the hedge is ineffective, such differences are recognized in the statement of income. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to the statement of income as part of the gain or loss on disposal.

(v) The convertible debentures of the Company are compound instruments that contain a conversion feature to the debenture-holder to convert debenture principal into Shares of the Company. The debenture obligation is classified partly as debt and partly as shareholders' equity. The debt component represents the present value of interest and principal payments over the expected life of the convertible debentures discounted at a rate approximating the rate which would have been applicable to non-convertible debentures at the time the convertible debentures were issued. The residual between the principal amount of the convertible debentures and the present value of interest and principal payments over the expected life of the convertible debentures (the equity component) is accreted over the term of the convertible debentures through periodic charges to the debt component, such that, on maturity, the debt component equals the principal amount of the convertible debentures outstanding. Transaction costs incurred are proportionately allocated to the debt and equity components. For tax purposes a taxable temporary difference will result as the tax base of the convertible debentures is the face value of the notes while the accounting base is described above. This difference is considered temporary resulting in a deferred tax liability.

h) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss.

For financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

i) Inventory

Raw material and parts inventories have been valued at the lower of cost and net realizable value. Work in progress and finished goods inventories have been valued at the lower of cost of materials and labour, plus systematically allocated overhead, and net realizable value. Cost is determined using the average cost method and net realizable value is computed as the actual selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory items previously written-down to net realizable value can be subsequently reversed back up to the original cost with an increase in the value of the inventory items.

The Company classifies its inventory into the following categories:

- Parts and other consumables: this includes the inventory of the Aviation segment subsidiaries and represents items utilized in the operations and repair of the aircraft and items purchased for resale, as applicable.

- Raw materials: this includes items used in the manufacturing of products by the Manufacturing segment subsidiaries that have no labour work performed on them.

- Work in process: this includes items that have begun to be utilized in production by the Manufacturing segment subsidiaries.

- Finished goods: this includes items that have completed the manufacturing process and are available for sale or items purchased for resale by the Manufacturing segment subsidiaries, including consignment inventory held at certain entities in the Manufacturing segment.

Cost for aviation parts and components is established based upon the price paid for the inventory, including any costs of purchase, costs of conversion and other costs to bring such inventories to their present location and condition. Inventory carrying value is determined using the average cost to sales percentage to Regional One inventory at expected selling prices. The average cost to sales percentage is based on historical profitability or from contracted rates under certain procurement arrangements. Remanufactured inventory cost is based upon the price paid for the cores and also includes expenses incurred for freight, direct manufacturing costs and overhead, as applicable.

j) Capital Assets

Tangible assets comprised mainly of land, buildings, aircraft, aircraft spare parts, machinery, tooling and equipment are valued at cost less accumulated depreciation and impairment losses. The cost of purchased capital assets is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire it. The cost of self-constructed assets includes the cost of material, direct labor, an appropriated proportion of production overheads and borrowing costs to construct. When an asset includes major components that have different useful lives, they are accounted for as separate items.

Expenditures incurred to replace a component in a tangible asset that is accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the asset. Any replacement of an essential component will result in the original component being written off and the replacement being capitalized. All other expenditures such as ordinary maintenance and repairs are recognized in the statement of income as an expense as incurred.

In regards to the maintenance of the Company's aircraft, costs for routine aircraft maintenance as well as repair costs are charged as maintenance expense as incurred. Costs for major aircraft frame, engine overhauls and other major aircraft components incurred on owned aircraft are capitalized and amortized over the useful economic life of the components concerned.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of the assets. For the Aviation segment's aircraft related assets, the useful lives are based on miles flown on the aircraft related item. Land is not depreciated. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate in the period of the change. The estimated useful lives of the main categories of depreciable capital assets are:

Buildings	20–25 years
Aircraft frames and rotables	10–13 years
Aircraft engines	2–20 years
Aircraft propellers	2–7 years
Aircraft landing gear	5–15 years
Equipment	5–10 years
Other	3–4 years
Leasehold improvements over the term of lease	

The aviation related capital assets of Regional One have useful lives that range between 1–7 years and depend on the condition and expectancy of use of the asset in leasing arrangements. Gains or losses arising on the disposal of tangible fixed assets are included in the statement of income in earnings before income taxes.

k) Intangible Assets

Intangible assets are recorded at cost. The Company has intangible assets with indefinite lives which are not amortized. Intangible assets with finite lives are amortized as follows:

Customer contracts	Straight line based on contract term
Customer relationships	Straight-line over 5-10 years
Non-compete contracts	Straight-line over 5 years
Operating certificates	Straight-line over 2–30 years
Information technology systems	Straight-line over 3–5 years

The depreciation method and estimates of useful lives ascribed to other identifiable intangible assets are reviewed at least each financial year end and if necessary amortization is adjusted for on a prospective basis.

The indefinite life intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If it is deemed unsupportable the change in the useful life from indefinite to finite life is made and amortization is recognized on a prospective basis.

l) Goodwill

Goodwill is recognized to the extent of the excess of the purchase price over the fair value of the underlying identifiable net assets acquired in a business combination. Goodwill acquired through a business combination is allocated to each cash-generating units ("CGU"), or group of CGUs, that are expected to benefit from the related business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

m) Impairment of Long-Lived Assets

Capital assets and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized, such as the Company's indefinite life intangible assets, are included in their related CGU and are tested annually for impairment or when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The recoverable amount is the higher of an asset or CGU's fair value less costs of disposal and value in use. An impairment loss is recognized for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The Company determines the fair value less costs of disposal as an amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal but when no active market exists it is derived using estimation techniques with discounted cash flow analysis. The Company determines value in use as being the present value of the expected future cash flows of the relevant asset or CGU.

Goodwill is reviewed for impairment annually or more frequently if an indicator of impairment exists. For purposes of impairment testing, goodwill is allocated to each CGU (or group of CGUs) based on the level at which management monitors goodwill, however not higher than an operating segment. Accordingly, management has allocated its goodwill to its two operating segments which represents the lowest level at which goodwill is monitored.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

n) Current and Deferred Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investment in subsidiaries and associates, except, in the case of subsidiaries where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are reviewed annually and reduced to the extent it is no longer probable that sufficient profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current. Tax related amounts are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

o) Employee Benefits

Share-Based Compensation – Deferred Share Plan

Certain employees of the Company and the Company's Board of Directors participate in a share-based compensation plan of the Company's shares (Note 19). The plan consists of individuals being granted "deferred shares" which are essentially phantom shares. The deferred shares granted to the Company's non-management Board of Directors vest immediately at the time of the grant and the deferred shares granted to the employees of the Company vest evenly over a three-year period. The deferred shares are redeemable upon certain events and the Company will issue from treasury common shares equal to the number of deferred shares that have vested.

The dividend rate declared by the Company on issued Company shares is also applied on the deferred shares. The dividend amount on the deferred shares is converted into additional deferred shares based on the market value of the Company's shares at the time of the dividend. These additional deferred shares vest at the same time as the deferred shares that the dividend rate was applied on.

The Deferred Share Plan is accounted for as an equity-settled method. Under this method the deferred shares granted are valued at the grant date when the grant is approved by the Company's board. The grant date value is based on the market price of the Company's stock at the grant date. As the deferred shares vest the Company records an expense and increases equity in accordance with the graded vesting model, including an estimate of forfeitures. Potential common shares that have vested but haven't been issued under the deferred share plan are included in the weighted average shares outstanding in the Company's earnings per share calculation.

Share-Based Compensation – Employee Share Purchase Plan

Certain employees of the Company participate in a share based compensation plan of the Company's shares. The fair value of shares to be awarded to employees is recognized as compensation expense on a straight-line basis over the applicable vesting period net of estimated forfeitures. For a share granted to an employee who is eligible to retire at the grant date, the fair value of the share is expensed on the grant date. For a share granted to an employee who will become eligible to retire during the vesting period, the fair value of the share is expensed over the period from the grant date to the date the employee becomes eligible to retire.

Pension Plan

The Company has pension-related costs associated with the defined contribution pension plans that certain Calm Air and Bearskin personnel are entered into. The Company's accounting policy is to expense contributions as earned during the period when the contributions become payable and is recorded within general and administrative expenses of the Aviation segment. During 2014, the Company recorded pension plan costs of $1,214 (2013 – $1,211).

p) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the Company's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts which are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it and, where applicable, records provisions for such contracts.

q) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of income in the period in which they are incurred.

r) Leases

Leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee. A finance lease results in a depreciable capital asset and a liability associated with the future payments of the lease being recognized. All other leases are classified as operating leases with total lease rental payments recognized as a straight line expense over the term of the lease.

Gains and losses on sale and operating leaseback transactions are recognized immediately in the statement of income when it is clear that the transactions are established at fair value. If the sale price is below fair value, any loss shall be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the gain shall be deferred and amortized over the period for which the asset is expected to be used. In the context of sale and finance leaseback transactions, any gain on the sale is deferred and recognized as interest income over the lease term.

s) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

t) Reserved Shares

As part of the acquisition of WesTower US and WesTower CDA in 2011, the Company assumed an obligation associated with certain employees. The payment of the obligation will be done with the issuance of the Company's shares. As a result the Company presents the equity-settled share-based obligation as reserved shares in equity. When the shares are issued, the obligation is reclassified to Common shares also within equity.

u) Dividends

Dividends on common shares of the Company are recognized in the Company's financial statements in the period in which the dividends are declared.

v) Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company's potential dilutive common shares comprise of convertible debentures and deferred shares that have vested under the Company's Deferred Share Plan. The dilutive impact of convertible debentures is calculated using the "if converted" method.

w) Changes in Accounting Policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IFRIC 21 – Levies

IFRIC 21, Levies, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The interpretation is effective for annual periods beginning on or after January 1, 2014 with earlier application permitted. This standard had no impact on the Company's reporting during the period.

x) Accounting Standards Issued But Not Yet Effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014 and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Company are set out below. The Company does not plan to adopt these standards early and is continuing to evaluate the impact of such standards.

IFRS 15 – Revenue

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Customer Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company beginning on January 1, 2017, with earlier adoption permitted. The Company is assessing the impact of adopting this standard on its financial statements.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not carried at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit and loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018.

4. Operating Profit Before Depreciation, Amortization, Finance Costs and Other

The Company presents operating profit before depreciation, amortization, finance costs and other in the consolidated statement of income to assist users in assessing financial performance. The Company's management and the Board use this measure to evaluate consolidated operating results and assess the ability of the Company to incur and service debt. In addition, this measure is used to make operating decisions as it is an indicator of how much cash is being generated by the Company and assists in determining the need for additional cost reductions, evaluation of personnel and resource allocation decisions. Operating profit before depreciation, amortization, finance costs and other is referred to as an additional IFRS measure and may not be comparable to similar measures presented by other companies.

5. Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of these consolidated financial statements. These underlying assumptions are reviewed on an ongoing basis. Actual results could differ materially from those estimates.

Accounting Estimates

Business Combination

The Company's acquisitions have been accounted for using the acquisition method of accounting. Under the acquisition method, the acquiring company adds to its statement of financial position the estimated fair values of the acquired company's assets and assumed liabilities. There are various assumptions made when determining the fair values of the acquired company's assets and assumed liabilities. The most significant assumptions and those requiring the most judgment involve the estimated fair values of intangible assets.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The initial recognition of intangible assets acquired that require critical accounting estimates are customer contracts, customer relationships, customer lists, certifications and trade names. To determine the fair value of these customer based intangible assets (excluding trade names), the Company adopted the excess earning method. This valuation technique values the intangible assets based on the capitalization of the earnings, which are calculated to be in excess of what a reasonable amount of earnings would be on the tangible assets used to generate the earnings. Significant assumptions include, among others, the determination of projected revenues, cash flows, customer retention rates, discount rates and anticipated average income tax rates. To determine the fair value of the trade name intangible asset, the Company adopted the royalty relief method. This valuation technique values the intangible assets based on the present value of the expected after-tax royalty cash flow stream using a hypothetical licensing arrangement. Significant assumptions include, among others, the determination of projected revenues, royalty rate, discount rates and anticipated average income tax rates.

Long-term Contract Revenue Recognition

Revenue and income from fixed price construction contracts are determined on the percentage-of-completion method, based on the ratio of actual costs incurred to date over estimated total costs. The Company has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However, due to unforeseen changes in the nature or cost of the work to be completed or performance factors, contract profit can differ significantly from earlier estimates. Management believes, based on its experience that its current systems of management and accounting controls allow the Company to produce materially reliable estimates of total contract revenue and cost during any accounting period. However, many factors can and do change during a contract performance period, which can result in a change to contract profitability from one financial reporting period to another. Some of the factors that can change the estimate of total contract revenue and cost include differing site conditions (to the extent that contract remedies are unavailable), the availability of skilled contract labour, the performance of major material suppliers to deliver on time, the performance of major subcontractors, unusual weather conditions and the accuracy of the original bid estimate. Fixed price contracts exist in the Company's manufacturing segment, and specifically within the operations of WesTower CDA and Stainless.

Since the Company has many contracts in process at any given time, these changes in estimates can offset each other without impacting overall profitability. However, changes in cost estimates, which on larger, more complex construction projects can have a material impact on the Company's consolidated financial statements, are reflected in the results of operations when they become known. A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. For such change orders, contract revenue is recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Therefore, to the extent that actual costs recovered are different from expected cost recoveries, significant swings in revenue and profitability can occur from one reporting period to another.

Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. In accordance with the Company's accounting policy, claims are recognized in revenue only when resolution is probable. Therefore, it is possible for the Company to have substantial contract costs recognized in one accounting period with associated revenue recognized in a later period. Given the above-noted critical accounting estimates associated with the accounting for construction contracts, including change orders and claims, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year or later could be different from the estimates and assumptions adopted and could require a material adjustment to revenue and/or the carrying amount of the asset or liability affected. The Company is unable to quantify the potential impact to the consolidated financial results from a change in estimate in calculating revenue.

Depreciation & Amortization Period for Long-lived Assets

The Company makes estimates about the expected useful lives of long-lived assets and the expected residual values of the assets based on the estimated current fair value of the assets, the Company's aircraft fleet plans and the cash flows expected to be generated from them. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes to maintenance programs, changes in utilization of the aircraft, changing market prices for aircraft of the same or similar types, and changes in the utilization of other major manufacturing equipment and buildings. Estimates and assumptions are evaluated at least annually. Generally, these adjustments are accounted for on a prospective basis, through depreciation and amortization expense. For the purposes of sensitivity analysis on these estimates, a 50% reduction to residual values on the Company's aircraft with remaining useful lives greater than five years as at December 31, 2014 would result in an increase of approximately $4,118 to annual depreciation expense. For the Company's aircraft with shorter remaining useful lives and other major manufacturing equipment and buildings, the residual values are not expected to change significantly.

Impairment Considerations on Long-lived Assets

Goodwill and indefinite life intangible assets are not amortized. Goodwill and all intangibles are assessed for impairment at least annually. Impairment testing is performed on long-lived assets by comparing the carrying amount of the asset or cash generating unit to their recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates. The assumptions include the Company's weighted average cost of capital at the assessment date which incorporates the Company's existing capital structure (Note 24). Growth factors are based on industry related standards but range between 2.5–3.0%.

Deferred Income Taxes

The Company recognizes deferred tax assets related to tax-loss carryforwards and other deductible temporary differences where it is probable that sufficient future taxable income can be generated in order to fully utilize such losses and deductions. This requires significant estimates and assumptions regarding future earnings, and the ability to implement certain tax planning opportunities in order to assess the likelihood of utilizing such losses and deductions. These estimates and assumptions are subject to uncertainty and if changed could materially affect the assessment of the ability to fully realize the benefit of the deferred tax assets.

As described in the subsequent event (Note 27), the Company announced that it has entered into an agreement with the CRA regarding the CRA's objection to the tax consequences of the conversion of EIC's income trust structure into a business corporation in July 2009. The agreement will not give rise to any cash outlay by the Corporation for taxation years 2009 to 2013, and a portion of the Company's 2014 year. The agreement results in a non-cash charge in the Company's consolidated net earnings for the 2014 year related to the write-off of certain of the Company's deferred tax assets.

The Company is subject to income taxes in both Canada and the United States. Significant judgment is required in determining the provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that are believed to appropriately reflect our risk with respect to tax positions under discussion, audit, dispute, or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company regularly assesses 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 the relevant taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

As at December 31, 2014 the Company has recognized uncertain tax positions in the amount of $2,317 (including accrued interest of $311). The uncertain tax positions have been recognized as part of business combinations described in previous periods. The Company is indemnified for these uncertain tax positions, and therefore, the uncertain tax position is offset by a receivable from the vendors of the applicable subsidiary in the amount of $2,317.

Critical Accounting Judgments

Measurement and Presentation of Capital Assets and Inventory

The Company may purchase certain aircraft and aircraft components in the normal course of the operations at Regional One. The Company must assess whether the aircraft and engines should be recognized as either inventory or capital assets depending on the anticipated use of such assets, including the ability to lease these tangible assets to customers. The determination is based on available cycle times related to aviation components and whether such assets are expected to be used in more than one period, in which case they would be classified as capital assets and amortized over their useful lives. The Company reviews its tangible assets on a regular basis to assess whether reclassifications are required between capital assets and inventory and the related accounting implications.

The normal operations of Regional One within the Aviation segment include it acting as a provider of aircraft and engine aftermarket parts. In the course of its business, it may acquire entire aircraft or components of an aircraft for breakdown into saleable parts. Regional One determines the carrying value of its inventory using the average cost to sales percentage based on the expected selling price. Accordingly, the carrying value of inventory and recognition of the related cost of sale requires estimates related to the average cost to sales percentage. The Company has a process whereby such estimates are reviewed on a regular basis and based on historical experience and changes in market conditions. However, due to unforeseen changes in market conditions or other factors, estimated average cost to sales percentages may differ significantly from earlier estimates. Management believes, based on its industry experience, that its current systems of management and accounting controls allow the Company to produce materially reliable estimates of the carrying value of inventory and related cost of sales. However, many factors can and do change throughout a component part's life, which can result in a change to future average cost to sales percentages. Some of the factors that can change include significant changes in worldwide utilization of certain aircraft types which the parts support, available supply of original equipment manufacturer or aftermarket parts, and changes in airworthiness directives by aviation authorities. Such changes can alter the supply and demand associated with Regional One's parts inventory and therefore, it is possible that outcomes within the next financial year could be different from the estimates and assumptions and could result in an impairment of inventory or a decrease in the average cost to sales percentage on future sales.

6. Acquisitions

During the first quarter of 2014, the Company acquired an aircraft by acquiring the shares of a company holding this aircraft. The acquired company was SMBC Aviation Leasing 1 Limited ("SMBC") and at the time of closing the Company changed the name of SMBC to EIC Ireland Leasing Limited ("EIC Ireland"). For accounting purposes under IFRS, this transaction was concluded to be the acquisition of assets and not a business combination as SMBC was not considered to be an operating business. As a result, the Company allocated the consideration and other costs incurred to acquire the asset (US$6,166), including external professional costs, to the net assets acquired and this was recorded within the Aviation segment.

During the fourth quarter of 2014, the Company acquired an aircraft by acquiring the shares of a company holding this aircraft. The acquired company was Amentum Aircraft Leasing No. Two Limited (Amentum) and at the time of closing the Company changed the name of Amentum to EIC Ireland Leasing No. Two Limited. For accounting purposes under IFRS, this transaction was concluded to be an acquisition of assets and not a business combination as Amentum was not considered to be an operating business. As a result, the Company allocated the consideration and other costs to acquire the asset (US$4,131), including external professional costs, to the net assets acquired and this was recorded within the Aviation segment.

Acquisition of Regional One

The Company announced on February 28, 2013 that it had signed a stock purchase agreement to acquire all outstanding shares of Regional One and closed the acquisition on April 12, 2013. Regional One is a leading provider of aircraft and engine aftermarket parts to regional airline operators around the world. The operations of Regional One include the direct sale and leasing to regional airline operators and performing consignment sales transactions. Its specialty is based around regional turbo-prop and turbo-jet aircraft, engines and rotable parts. This acquisition creates further diversification of the Company's revenue streams by expanding into new product and geographical markets. Secondly, the addition of Regional One provides a proxy for vertical integration into one of the major expense categories of our aviation segment.

The acquisition price was US$88.8 million ($89.9 million) and was funded through a combination of cash, the issuance of Shares and the recognition of consideration liabilities for future payments. At the time of closing, the Company paid US$45.1 million in cash ($45.8 million). Additionally the Company paid US$15.7 million ($15.9 million) to an escrow agent for contingent consideration associated with future results being attained by Regional One and this is treated as a consideration liability on the Statement of Financial Position. The Company issued 494,656 Shares with a value of US$13.6 million ($13.8 million) and the recognized consideration liabilities associated with future cash and Share payments of US$14.4 million ($14.5 million). The Company also assumed debt within Regional One of US$1.6 million and paid it off at the time of closing.

The consideration liabilities are presented within Accounts Payable and Accrued Liabilities on the Statement of Financial Position. These liabilities include certain contingent payments and future payments of both cash and issuance of shares within the share purchase agreement. The price of the shares used for both the shares issued at the time of closing and in the future was negotiated between the Company and the vendors. However, IFRS requires that shares issued be valued at the share price at the time of issuance and as a result certain differences exist. As well, subsequent to closing any change in the Company's share price impacts the value of the liability and will be recorded through the Company's statement of income in the period of the change even though there is no impact on the maximum number of shares to be issued in accordance with the share purchase agreement.

Included in the cash consideration paid, US$15.7 million was paid to an escrow agent and the terms of that escrow agreement are based on certain financial results being achieved. Under IFRS this contingent consideration is not considered to settle the contingent liability and therefore the cash held in escrow remains as the cash of the Company until those funds are released to the vendors or returned to the Company.

During 2013 and subsequent to the closing date, the Company released US$9.1 million ($9.4 million) of the cash held in escrow, paid US$0.5 million in cash ($0.5 million), and issued 178,552 of Shares with a value of US$4.7 million ($4.9 million) as partial settlement of certain contingent consideration liabilities that were recognized on closing. As at December 31, 2013 the Company's cash position on the balance sheet included US$6.6 million of cash held in escrow which is expected to be released to the vendors within the first anniversary of the closing date. As a result of this payment and the adjustment to fair value the remaining consideration liabilities associated with the Company's share price, the Company recorded a gain of $1,051 during 2013 in the Statement of Income.

During 2013 the working capital settlement was finalized with the vendor. As a result the Company paid US$3.2 million ($3.3 million) as partial settlement of certain consideration liabilities that were recognized on closing. The tables below have been adjusted to reflect the final working capital settlement.

During 2014, the Company settled the majority of the outstanding consideration liabilities with the vendors of Regional One. In April 2014, the Company released US$6,620 ($7,270) of the cash in escrow, paid US$648 ($712) in cash, and issued 130,175 of Shares with a value of US$2,201 ($2,411). The remaining consideration liability outstanding at December 31, 2014 consists of certain tax related liabilities owing to the vendors. Additionally, there are 350,567 Shares of the Company that were issued into escrow at the time of acquisition and relate to the retention of the vendor as CEO. These remaining Shares are anticipated to be settled and released from escrow evenly on each of the next four anniversaries of closing the acquisition.

Consideration given	
Cash	$ 45,770
Issue of 494,656 Shares of the Company at a price of $27.80 per share	13,751
Contingent consideration liabilities	30,423
Total purchase consideration	$ 89,944

Details of the fair values of the net assets acquired at the time of the transaction are as follows:

Fair value of assets acquired	
Cash	$ 731
Accounts receivable	5,670
Inventory	14,934
Prepaid expenses and deposits	1,558
Capital assets	22,664
Other assets	806
Intangible assets	18,868
	65,231
Less fair value of liabilities assumed:	
Accounts payable and accrued liabilities	2,108
Long-term debt	1,612
Deferred revenue	903
Other long-term liabilities	1,172
Fair value of identifiable net assets acquired	59,436
Goodwill	30,508
Total purchase consideration	$ 89,944

Of the $18,868 acquired intangible assets, $12,465 was assigned to trade name and $6,403 was assigned to customer relationships. The customer relationships acquired are subject to amortization while the trade name is considered to have indefinite life.

The goodwill is attributable mainly to the assembled workforce of Regional One and the synergy opportunities that will be derived on sourcing and pricing through Regional One for aircraft, engines and parts requirements of the existing Aviation segment entities. All of the goodwill and intangible assets acquired are deductible for tax purposes.

7. Inventories

The inventory of the Company's operating subsidiaries is classified into the following categories:

	December 31, 2014	December 31, 2013
Parts and other consumables	$ 57,373	$ 47,954
Raw materials	18,661	53,336
Work in process	1,161	1,266
Finished goods	6,825	6,639
Total inventory	$ 84,020	$ 109,195

During 2014, from continuing operations, inventory from the Aviation segment with a value of $44,221 (2013 – $28,197) was recorded as a direct operating expense and inventory from the Manufacturing segment with a value of $57,070 (2013 – $49,992) was recorded as a cost of goods sold expense.

8. Other Assets

The other assets of the Company consist of the following:

	December 31, 2014	December 31, 2013
Long term loan to Tribal Council Investment Group ("TCIG")	$ —	$ 5,775
Long term security deposits and long term finance lease receivables	5,167	2,942
Other investments	3,943	—
Total other assets	$ 9,110	$ 8,717

During 2013 the Company advanced funds to TCIG. The loan was secured against the net assets of TCIG and was subordinate to TCIG's senior credit facility. Interest was earned and paid monthly based on the Canadian prime rate plus an applicable margin. The term of the loan included quarterly principal payments and was structured to be paid out by February 2019 or earlier without penalty. The Company earned interest income of $166 during 2014 (2013 – $197). The amount was repaid in full during 2014.

During 2014, the Company made an investment into a non-trading entity to be accounted for as an available for sale financial asset. The entity holds several aviation assets that will generate future cash or assets returned to Regional One.

9. Capital Assets

The Company's capital assets consist of the following:

			December 31, 2014
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 7,390	$ —	$ 7,390
Buildings	81,165	14,117	67,048
Aircraft frames	189,854	50,927	138,927
Aircraft engines	124,278	41,759	82,519
Aircraft propellers and rotors	21,208	8,583	12,625
Aircraft landing gear	13,460	3,180	10,280
Aircraft rotable parts	25,634	4,374	21,260
Equipment	55,645	34,223	21,422
Other	6,505	4,762	1,743
Leasehold improvements	3,463	1,763	1,700
Total	$ 528,602	$ 163,688	$ 364,914

							Year Ended December 31, 2014
Net Book Value	Opening	Acquisition	Additions	Disposals	Depreciation	Exchange Differences	Ending
Land	$ 7,073	$ —	$ 492	$ (175)	$ —	$ —	$ 7,390
Buildings	67,565	—	2,051	(73)	(2,495)	—	67,048
Aircraft frames	108,106	—	53,936	(6,999)	(18,362)	2,246	138,927
Aircraft engines	72,964	—	28,853	(5,604)	(15,288)	1,594	82,519
Aircraft propellers and rotors	12,585	—	3,020	(504)	(2,476)	—	12,625
Aircraft landing gear	10,100	—	1,584	(342)	(1,062)	—	10,280
Aircraft rotable parts	20,419	—	3,712	(776)	(2,095)	—	21,260
Equipment	28,403	—	6,857	(6,042)	(8,377)	581	21,422
Other	1,725	—	743	(77)	(661)	13	1,743
Leasehold improvements	2,411	—	453	(600)	(598)	34	1,700
Total	$ 331,351	$ —	$ 101,701	$ (21,192)	$ (51,414)	$ 4,468	$ 364,914

During 2014, as a result of the sale of WesTower US, the Company disposed of all capital assets relating to the operations of WesTower US. The sale of these capital assets as a part of the overall sale of WesTower US has been included in the disposals column above.

During the year ended December 31, 2014, the Company recognized a gain of $1,301 within Aviation revenues relating to the gain on disposal of an aircraft through the receipt of insurance proceeds of $5,750.

			December 31, 2013
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 7,073	$ —	$ 7,073
Buildings	79,375	11,810	67,565
Aircraft frames	148,403	40,297	108,106
Aircraft engines	107,360	34,396	72,964
Aircraft propellers and rotors	19,938	7,353	12,585
Aircraft landing gear	12,646	2,546	10,100
Aircraft rotable parts	24,035	3,616	20,419
Equipment	67,585	39,182	28,403
Other	5,819	4,094	1,725
Leasehold improvements	4,137	1,726	2,411
Total	$ 476,371	$ 145,020	$ 331,351

							Year Ended December 31, 2013
Net Book Value	Opening	Acquisition (Note 6)	Additions	Disposals	Depreciation	Exchange Differences	Ending
Land	$ 7,061	$ —	$ —	$ —	$ —	$ 12	$ 7,073
Buildings	62,324	—	7,337	—	(2,105)	9	67,565
Aircraft frames	84,991	10,134	28,300	(1,707)	(14,145)	533	108,106
Aircraft engines	50,966	11,903	28,657	(5,472)	(13,851)	761	72,964
Aircraft propellers and rotors	11,541	—	3,853	(163)	(2,646)	—	12,585
Aircraft landing gear	9,118	—	2,111	—	(1,129)	—	10,100
Aircraft rotable parts	15,422	—	7,346	(321)	(2,028)	—	20,419
Equipment	24,651	528	12,009	(366)	(9,077)	658	28,403
Other	1,021	98	1,167	(51)	(531)	21	1,725
Leasehold improvements	1,940	—	840	—	(432)	63	2,411
Total	$ 269,035	$ 22,663	$ 91,620	$ (8,080)	$ (45,944)	$ 2,057	$ 331,351

10. Intangible Assets & Goodwill

The following summarizes the Company's intangible assets as at December 31, 2014 and 2013:

			December 31, 2014
	Cost	Accumulated Amortization	Net Book Value
Indefinite Life Assets			
Brand name	$ 32,756	$ —	$ 32,756
Finite Life Assets			
Customer contracts	1,367	982	385
Customer relationships	13,631	7,765	5,866
Non-compete agreements	804	602	202
Certifications	1,599	738	861
Information technology systems	1,709	1,201	508
Other	2,832	650	2,182
Total	$ 54,698	$ 11,938	$ 42,760

							Year Ended December 31, 2014
Net Book Value	Opening	Acquisition	Additions	Disposals	Amortization	Exchange Differences	Ending
Indefinite Life Assets							
Brand name	$ 34,389	$ —	$ —	$ (2,914)	$ —	$ 1,281	$ 32,756
Finite Life Assets							
Customer contracts	483	—	—	—	(98)	—	385
Customer relationships	7,482	—	—	(203)	(1,872)	459	5,866
Non-compete agreements	572	—	—	(161)	(211)	2	202
Certifications	923	—	—	—	(69)	7	861
Information technology systems	326	—	297	—	(115)	—	508
Other	2,240	—	—	—	(58)	—	2,182
Total	$ 46,415	$ —	$ 297	$ (3,278)	$ (2,423)	$ 1,749	$ 42,760

During 2014, as a result of the sale of WesTower US, the Company disposed of all intangible assets relating to the operations of WesTower US. The sale of these intangible assets as a part of the overall sale of WesTower US has been included in the disposals column above.

			December 31, 2013
	Cost	Accumulated Amortization	Net Book Value
Indefinite Life Assets			
Brand name	$ 34,389	$ —	$ 34,389
Finite Life Assets			
Customer contracts	1,367	884	483
Customer relationships	13,819	6,337	7,482
Non-compete agreements	1,364	792	572
Certifications	1,592	669	923
Information technology systems	1,412	1,086	326
Other	2,938	698	2,240
Total	$ 56,881	$ 10,466	$ 46,415

Net Book Value	Opening	Acquisition (Note 6)	Additions	Disposals	Amortization	Exchange Differences	Ending
							Year Ended December 31, 2013
Indefinite Life Assets							
Brand name	$ 21,071	$ 12,465	$ —	$ —	$ —	$ 853	$ 34,389
Finite Life Assets							
Customer contracts	623	—	—	—	(140)	—	483
Customer relationships	2,390	6,403	—	—	(1,672)	361	7,482
Non-compete agreements	796	—	—	—	(240)	16	572
Certifications	1,024	—	—	—	(106)	5	923
Information technology systems	190	—	188	—	(52)	—	326
Other	2,299	—	—	—	(59)	—	2,240
Total	$ 28,393	$ 18,868	$ 188	$ —	$ (2,269)	$ 1,235	$ 46,415

The Company has brand name indefinite life assets for the operations of Bearskin, Calm Air, Custom, Water Blast, Water Blast Dakota, WesTower CDA and Regional One. These entities all have a brand name that represents the quality of goods or services and safety standards that those entities provide to their customers.

Goodwill	2014	2013
Balance, beginning of year	$ 107,435	$ 73,516
Goodwill from business acquisitions (Note 6)	—	30,508
Derecognition on sale of WesTower US	(13,918)	—
Translation of goodwill of foreign operations (Stainless, WesTower US, Regional One, and Water Blast Dakota)	5,086	3,411
Balance, end of year	$ 98,603	$ 107,435

The Company completed its annual impairment testing for goodwill and indefinite life intangible assets as at December 31, 2014 based on management's best estimates of market participant assumptions including weighted average cost of capital. The recoverable amounts, determined based on fair value less costs of disposal for goodwill and indefinite life intangible asset CGUs, were determined using EBITDA multiples based on financial forecasts prepared by management (Level III inputs from the fair value hierarchy). The forecasts are based on management's best estimate using market participant assumptions considering historical and expected operating plans, current strategies, economic conditions, and the general outlook for the industry and markets in which the CGU's operate.

As at December 31, 2014, there was no impairment of goodwill or indefinite life intangible assets based on management's assessment. Furthermore, there were no reasonably possible changes in key assumptions which would cause the recoverable amounts to be less than the carrying value.

As a result of the foreign currency accounting policy for the consolidation of Stainless, Water Blast Dakota, and Regional One as described in Note 3e), the goodwill recorded in Stainless (US $14,751), in Water Blast Dakota (US $476), and Regional One (US $30,105) are valued at the period-end exchange rate. As a result the goodwill fluctuates as the Canadian dollar reporting currency changes in comparison to the US dollar.

11. Long-Term Debt and Finance Leases

The following summarizes the Company's long-term debt and finance leases as at December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Revolving term facility:		
Canadian dollar amounts drawn	$ —	$ 51,150
United States dollar amounts drawn (US$13,900 and US$157,197, respectively)	16,125	167,195
Total credit facility debt outstanding, principal value	16,125	218,345
less: unamortized transaction costs	(911)	(932)
less: unamortized discount on outstanding Banker's Acceptances	—	(65)
Net credit facility debt	15,214	217,348
Finance leases	2,529	2,899
Total net credit facility debt and finance leases	17,743	220,247
less: current portion of finance leases	(1,107)	(1,326)
Long-term debt and finance leases	$ 16,636	$ 218,921

The Company's credit facility is secured by a general security agreement over the assets of the Company, subject to customary terms, conditions, covenants and other provisions for a corporation, and includes both financial and negative covenants. The Company is in compliance with all financial and negative covenants as at December 31, 2014.

During the year ended December 31, 2014, the Company's credit facility was extended to have a maturity of May 2018. No other significant changes were made to the terms included within the credit facility. The total credit available is allocated between both EIC head office and EIIF USA. The total credit under the facility is $335,000, with $258,000 allocated to EIC and $77,000 allocated to EIIF USA. The facility also allows borrowings to be denominated in either Canadian or US funds. The credit facility includes a revolving operating line of credit up to a maximum of $15,000.

Subsequent to December 31, 2014, the allocation of the total credit available between EIC head office and EIIF USA was amended as part of the closing of the acquisition of Provincial. Total credit available to EIC increased to $320,000, while total credit available to EIIF USA decreased to $15,000. The total credit available to the Company remained unchanged at $335,000. Furthermore, in February 2015, the Company amended the terms of its credit facility which resulted in increasing the credit available to be $450,000 and extended the maturity to May 2019. With the changes, the amount of credit allocated to EIC and EIIF USA was changed to $400,000 and $50,000, respectively. No other significant changes were made to the terms included within the credit facility.

Interest expense recorded by the Company's continuing operations during the year ended December 31, 2014 for the long-term debt and finance leases was $991 (2013 – $704). As described in Note 26 relating to the Discontinued Operations of WesTower US, the Company allocated interest expense to Discontinued Operations representing the portion of interest expense related to the operations of WesTower US up to the date of disposition.

Credit Facility

The following is the continuity of long-term debt for the year ended December 31, 2014:

	Year Ended December 31, 2014				
	Opening	Withdrawals	Repayments	Exchange Differences	Ending
Credit facility amounts drawn					
Canadian dollar portion	$ 51,150	$ 11,500	$ (62,650)	$ —	$ —
United States dollar portion	167,195	48,478	(210,035)	10,487	16,125
	$ 218,345				$ 16,125

	Opening	Withdrawals	Repayments	Exchange Differences	Ending
					Year Ended December 31, 2013
Credit facility amounts drawn					
Canadian dollar portion	$ 750	$ 56,700	$ (6,300)	$ —	$ 51,150
United States dollar portion	66,808	169,983	(76,498)	6,902	167,195
	$ 67,558				$ 218,345

Subsequent to December 31, 2014, the Company completed the acquisition of Provincial Aerospace Ltd. and made a draw of $232,100 from its credit facility as part of the payment made at closing (Note 27).

Finance Leases

The Company leases vehicles from a third party under finance leases expiring at various times through to fiscal 2017. The assets and liabilities under finance leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Interest rates on finance leases vary from 4% to 7%.

The following is the continuity of the finance leases outstanding for the year ended December 31, 2014:

	Opening	Assumed/ Entered Into	Repayments/ Disposals	Exchange Differences	Ending
					2014
Finance leases					
Canadian dollar leases	$ 2,073	$ 1,467	$ (1,011)	$ —	$ 2,529
US dollar leases	826	—	(826)	—	—
	$ 2,899	$ 1,467	$ (1,837)	$ —	$ 2,529

The impact of the sale of WesTower US is included in the Repayments/Disposals column above. All US dollar leases were held by WesTower US and were transferred as part of the closing of the transaction.

The future minimum lease payments and the net present value of the future minimum payments of the Company's finance leases as at December 31, 2014 are as follows:

	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Total future minimum lease payments	$ 1,209	$ 1,491	$ —	$ 2,700
less: amount representing interest	(102)	(69)	—	(171)
Present value of future minimum lease payments	$ 1,107	$ 1,422	$ —	$ 2,529

The cost and accumulated depreciation of the finance leased equipment consists of the following as at December 31, 2014:

	December 31, 2014
Vehicles under finance leases	$ 3,535
less: accumulated depreciation	(1,414)
	$ 2,121

12. Convertible Debentures

Series – Year of Issuance	Trade Symbol	Maturity	Interest Rate	Conversion Price
Series H — 2010	EIF.DB.B	May 31, 2017	6.5%	$ 20.00
Series I — 2011	EIF.DB.C	January 31, 2016	5.75%	$ 26.00
Series J — 2011	EIF.DB.D	May 31, 2018	6.25%	$ 30.60
Unsecured Debentures — 2012	EIF.DB.E	September 30, 2019	5.5%	$ 36.80
Unsecured Debentures — 2013	EIF.DB.F	March 31, 2020	5.35%	$ 41.60
Unsecured Debentures — 2014	EIF.DB.G	March 31, 2021	6.0%	$ 31.70

Summary of the debt component of the convertible debentures:

	2014 Balance, Beginning of Year	Debentures Issued	Accretion Charges	Debentures Converted	Repaid on Maturity	2014 Balance, End of Year
Series F	$ 1,128	$ —	$ 6	$ (1,008)	$ (126)	$ —
Series G	3,214	—	39	(3,060)	(193)	—
Series H	21,142	—	237	(103)	—	21,276
Series I	33,941	—	449	—	—	34,390
Series J	54,285	—	632	—	—	54,917
Unsecured — 2012	53,477	—	591	—	—	54,068
Unsecured — 2013	60,896	—	551	—	—	61,447
Unsecured — 2014	—	37,272	234	(11)	—	37,495
						263,593
less: unamortized transaction costs						(8,501)
Convertible Debentures — Debt Component, end of year						255,092
less: current portion						—
Convertible Debentures — Debt Component (long-term portion)						$ 255,092

	2013 Balance, Beginning of Year	Debentures Issued	Accretion Charges	Debentures Converted	Repaid on Maturity	2013 Balance, End of Year
Series F	$ 1,162	$ —	$ 20	$ (54)	$ —	$ 1,128
Series G	4,665	—	47	(1,498)	—	3,214
Series H	21,787	—	208	(853)	—	21,142
Series I	33,534	—	424	(17)	—	33,941
Series J	53,706	—	581	(2)	—	54,285
Unsecured — 2012	52,933	—	544	—	—	53,477
Unsecured — 2013		60,504	392	—	—	60,896
						228,083
less: unamortized transaction costs						(8,177)
Convertible Debentures — Debt Component, end of year						219,906
less: current portion						(4,324)
Convertible Debentures — Debt Component (long-term portion)						$ 215,582

During the 2014 year convertible debentures totaling a face value of $4,210 were converted by the holders at various times into 311,803 Shares of the Company (2013 – $2,573 face value into 160,231 Shares). Interest expense recorded during the 2014 year for the convertible debentures was $20,502 (2013 – $17,008).

Series F Convertible Debenture Offering

Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date. At the Company's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into Shares at the Company's forced conversion price equal to 95% of the weighted average trading price of the Shares for the 20 trading days prior to the maturity date. The Company also has the ability to redeem these Series F debentures, in whole or in part, on or after the third anniversary of the date of issuance of the debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time.

The Series F convertible debentures have nil of principal outstanding as at December 31, 2014 and matured in April 2014.

Series G Convertible Debenture Offering

Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date. At the Company's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into Shares at the Company's forced conversion price equal to 95% of the weighted average trading price of the Shares for the 20 trading days prior to the maturity date. The Company also has the ability to convert these Series G debentures, in whole or in part, on or after the third anniversary of the date of issuance of the debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time.

The Series G convertible debentures have nil of principal outstanding as at December 31, 2014 and matured in September 2014.

Series H Convertible Debenture Offering

Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date at a conversion price of $20.00. At the Company's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into Shares at the Company's forced conversion price equal to 95% of the weighted average trading price of the Shares for the 20 trading days prior to the maturity date. The Company also has the ability to convert these Series H debentures, in whole or in part, on or after the third anniversary of the date of issuance of the debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. After May 31, 2013, but prior to May 31, 2015, the Company has the option to redeem these debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. On and after May 31, 2015 but prior to the maturity date the Company has the option to redeem these debentures without any weighted average market price thresholds. If the Company elects to redeem the debentures, the debentureholders have the option to convert the debentures into Shares of the Company at the conversion price.

The Series H convertible debentures have $21,993 of principal outstanding as at December 31, 2014 and mature in May 2017.

Series I Convertible Debenture Offering

Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date at a conversion price of $26.00. Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date. At the Company's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into Shares at the Company's forced conversion price equal to 95% of the weighted average trading price of the Shares for the 20 trading days prior to the maturity date. The Company also has the ability to convert these Series I debentures, in whole or in part, on or after the third anniversary of the date of issuance of the debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time.

The Series I convertible debentures have $34,944 of principal outstanding as at December 31, 2014 and mature in January 2016. Subsequent to year-end 2014, the Company announced the early redemption of this series of convertible debentures to be repaid in the second quarter of 2015 (Note 27).

Series J Convertible Debenture Offering

Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date at a conversion price of $30.60. Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date. At the Company's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into Shares at the Company's forced conversion price equal to 95% of the weighted average trading price of the Shares for the 20 trading days prior to the maturity date. The Company also has the ability to convert these Series J debentures, in whole or in part, on or after the third anniversary of the date of issuance of the debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. After May 31, 2014, but prior to May 31, 2016, the Company has the option to redeem these debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. On and after May 31, 2016 but prior to the maturity date the Company has the option to redeem these debentures without any weighted average market price thresholds. If the Company elects to redeem the debentures, the debentureholders have the option to convert the debentures into Shares of the Company at the conversion price.

The Series J convertible debentures have $57,477 of principal outstanding as at December 31, 2014 and mature in May 2018.

September 2012 Unsecured Convertible Debenture Offering

Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date at a conversion price of $36.80.

At the Company's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into Shares at the Company's forced conversion price equal to 95% of the weighted average trading price of the Shares for the 20 trading days ending five days prior to the maturity date. The Company also has the ability to convert these unsecured debentures, in whole or in part, on or after the third anniversary of the date of issuance of the debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. After September 30, 2015, but prior to September 30, 2017, the Company has the option to redeem these debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. On and after September 30, 2017 but prior to the maturity date the Company has the option to redeem these debentures without any weighted average market price thresholds. If the Company elects to redeem the debentures, the debentureholders have the option to convert the debentures into Shares of the Company at the conversion price.

The September 2012 Unsecured convertible debentures have $57,500 of principal outstanding as at December 31, 2014 and mature in September 2019.

March 2013 Unsecured Convertible Debenture Offering

Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date at a conversion price of $41.60.

At the Company's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into Shares at the Company's forced conversion price equal to 95% of the weighted average trading price of the Shares for the 20 trading days ending five days prior to the maturity date. The Company also has the ability to convert these unsecured debentures, in whole or in part, on or after the third anniversary of the date of issuance of the debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. After March 31, 2016, but prior to March 31, 2018, the Company has the option to redeem these debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. On and after March 31, 2018 but prior to the maturity date the Company has the option to redeem these debentures without any weighted average market price thresholds. If the Company elects to redeem the debentures, the debentureholders have the option to convert the debentures into Shares of the Company at the conversion price.

Transaction costs of $3,191 were incurred during the 2013 year in relation to the issuance of these debentures.

The March 2013 Unsecured convertible debentures have $65,000 of principal outstanding as at December 31, 2014 and mature in March 2020.

March 2014 Unsecured Convertible Debenture Offering

The Company issued the $40,000 Seven Year 6.0% Convertible Unsecured Subordinated Debentures on February 11, 2014. These debentures bear interest at the rate of 6.0% per annum payable semi-annually in arrears, in cash, on March 31 and September 30 of each year. The maturity of the debentures is March 31, 2021. Each debenture is convertible, at the debenture-holders' option, into Shares of the Company at any time prior to the close of business on the day prior to the maturity date at a conversion price of $31.70.

At the Company's option, on the maturity date, the debentures (or any portion thereof) shall be convertible into Shares at the Company's forced conversion price equal to 95% of the weighted average trading price of the Shares for the 20 trading days ending five days prior to the maturity date. The Company also has the ability to convert these unsecured debentures, in whole or in part, on or after the third anniversary of the date of issuance of the debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. After March 31, 2017, but prior to March 31, 2019, the Company has the option to redeem these debentures provided that certain thresholds are met surrounding the weighted average market price of the Shares at that time. On and after March 31, 2019 but prior to the maturity date the Company has the option to redeem these debentures without any weighted average market price thresholds. If the Company elects to redeem the debentures, the debentureholders have the option to convert the debentures into Shares of the Company at the conversion price.

Transaction costs of $2,280 were incurred during the year ended December 31, 2014 in relation to the issuance of these debentures.

The March 2014 Unsecured convertible debentures have $39,988 of principal outstanding as at December 31, 2014 and mature in March 2021.

Convertible Debentures Equity Component

Since all of the outstanding convertible debentures contain a conversion feature available to the debenture-holder to convert debenture principal into Shares of the Company, the debenture obligation is classified partly as debt and partly as shareholders' equity. The debt component represents the present value of interest and principal payments over the life of the convertible debentures discounted at a rate approximating the rate which would have been applicable to non-convertible debentures at the time the convertible debentures were issued. The difference between the principal amount of the convertible debentures and the present value of interest and principal payments over the life of the convertible debentures is accreted over the term of the convertible debentures through periodic charges to the debt component, such that, on maturity, the debt component equals the principal amount of the convertible debentures outstanding.

Summary of the equity component of the convertible debentures:

	December 31, 2014	December 31, 2013
Series F — 2009	$ —	$ 56
Series G — 2009	—	78
Series H — 2010	1,188	1,190
Series I — 2011	1,489	1,489
Series J — 2011	3,136	3,136
Unsecured Debentures — 2012	3,204	3,204
Unsecured Debentures — 2013	3,063	3,063
Unsecured Debentures — 2014	1,797	—
Convertible Debentures — Equity Component, end of year	$ 13,877	$ 12,216

The Series H-J debentures are secured, subordinate only to senior security, by a charge on the assets and undertakings of the Company' and it subsidiaries. The September 2012, March 2013 and March 2014 convertible debenture offerings represent direct unsecured debt obligations of the Company.

13. Share Capital

Changes in the Shares issued and outstanding during the year ended December 31, 2014 are as follows:

		2014
	Number of Shares	Amount
Share capital, beginning of year	21,752,400	$ 295,939
Issued upon conversion of convertible debentures	311,803	4,297
Issued under dividend reinvestment plan	220,542	4,304
Issued to Regional One vendors on contingent liability payment (Note 6 & 22)	130,175	2,411
Issued under vesting of reserved shares	28,746	623
Issued under employee share purchase plan	53,894	1,150
Issued under First Nations community partnership agreements	6,000	112
Issued under deferred share plan	3,781	83
Share capital, end of year	22,507,341	$ 308,919

Changes in the Shares issued and outstanding during the year ended December 31, 2013 are as follows:

		2013
	Number of shares	Amount
Share capital, beginning of year	20,636,593	$ 268,494
Issued for Regional One vendors on closing (Note 6)	494,656	13,751
Issued for Regional One vendors on contingent liability payment (Note 6 & 22)	178,552	4,841
Issued under vesting of reserved shares	28,746	611
Issued upon conversion of convertible debentures	160,231	2,577
Issued under dividend reinvestment plan	177,474	4,174
Issued under employee share purchase plan	76,148	1,491
Share capital, end of year	21,752,400	$ 295,939

14. Dividends Declared

The Company's dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company's Board of Directors regularly examines the dividends paid to shareholders.

Cumulative dividends during the 2014 year and the comparative 2013 year are as follows:

Year Ended December 31,	2014	2013
Cumulative dividends, beginning of year	$ 151,649	$ 115,760
Dividends during the year	37,424	35,889
Cumulative dividends, end of year	$ 189,073	$ 151,649

The amounts and record dates of the dividends during the 2014 year and the comparative 2013 year are as follows:

			2014 Dividends			2013 Dividends
Month	Record Date	Per Share	Amount	Record Date	Per Share	Amount
January	January 31, 2014	$ 0.14	$ 3,039	January 31, 2013	$ 0.14	$ 2,901
February	February 28, 2014	0.14	3,043	February 28, 2013	0.14	2,905
March	March 31, 2014	0.14	3,054	March 29, 2013	0.14	2,911
April	April 30, 2014	0.14	3,080	April 30, 2013	0.14	2,985
May	May 30, 2014	0.14	3,097	May 31, 2013	0.14	3,011
June	June 30, 2014	0.14	3,100	June 28, 2013	0.14	3,016
July	July 31, 2014	0.14	3,103	July 31, 2013	0.14	3,019
August	August 29, 2014	0.14	3,112	August 30, 2013	0.14	3,023
September	September 30, 2014	0.14	3,134	September 30, 2013	0.14	3,026
October	October 31, 2014	0.14	3,138	October 31, 2013	0.14	3,030
November	November 28, 2014	0.145	3,260	November 29, 2013	0.14	3,031
December	December 31, 2014	0.145	3,264	December 31, 2013	0.14	3,031
Total		$ 1.69	$ 37,424		$ 1.68	$ 35,889

Subsequent to December 31, 2014 and before these consolidated financial statements were authorized, the Company declared a dividend of $0.145 per Share for January 2015 and February 2015.

15. Segmented and Supplemental Information

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

For the first and second quarter interim reporting of 2014, the Company changed to three reporting segments by presenting the overall results of WesTower into a segment called Infrastructure. During the third quarter, as a result of the negotiations to sell WesTower US, certain internal structural and reporting changes occurred. As a result, the Company reports two operating segments and WesTower CDA is included within the Manufacturing segment. The results of WesTower US are presented as Discontinued Operations (Note 26). Changes in reporting segments and the presentation of discontinued operations are applied retroactively therefore prior period segment information has been amended to be consistent with current year presentation and reports provided to the chief operating decision maker. There is no impact on the consolidated results of the Company and there are no changes to the Company's accounting policies.

The Company's reportable business segments include strategic business units that offer different products and services. The Company has two operating business segments: Aviation and Manufacturing. The Aviation segment provides airline services to communities in Manitoba, Ontario, Nunavut and Alberta and also provides aircraft and engine aftermarket parts to regional airline operators around the world. The Manufacturing segment consists of niche specialty metal manufacturers in markets throughout Canada and the United States.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates each segment's performance based on EBITDA. The Company's method of calculating EBITDA may differ from that of other corporations and therefore may not be comparable to measures utilized by them. The Company's method of calculating EBITDA is consistent with the Company's Operating Profit before Depreciation, Amortization, Finance Costs and Other presented in the consolidated statement of income. There are no inter-segment revenues, and segment revenues presented in the tables below are from external customers.

"Head Office" used in the following segment tables is not a separate segment and is only presented to reconcile to enterprise revenues, EBITDA, certain statement of financial position amounts and capital asset additions. It includes expenses incurred at head office of the Company.

				Year Ended December 31, 2014
	Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 339,084	$ 203,419	$ —	$ 542,503
Expenses	259,562	177,784	10,879	448,225
EBITDA	79,522	25,635	(10,879)	94,278
Depreciation and amortization				50,481
Finance costs — interest				21,493
Acquisition costs				880
Consideration liability fair value adjustment				(651)
Impairment and restructuring				1,300
Earnings before tax				20,775
Current income tax expense				788
Deferred income tax expense				31,612
Net loss from continuing operations				(11,625)
Net earnings from discontinued operations				19,880
Net earnings				$ 8,255

				Year Ended December 31, 2013
	Aviation	Manufacturing	Head Office	Consolidated
Revenue	$ 313,214	$ 195,838	$ —	$ 509,052
Expenses	248,492	170,082	8,698	427,272
EBITDA	64,722	25,756	(8,698)	81,780
Depreciation and amortization				44,358
Finance costs — interest				17,712
Acquisition costs				1,669
Consideration liability fair value adjustment				(1,051)
Earnings before tax				19,092
Current income tax expense				4,097
Deferred income tax expense				4,396
Net earnings from continuing operations				10,599
Net loss from discontinued operations				(1,615)
Net earnings				$ 8,984

				December 31, 2014
	Aviation	Manufacturing	Head Office	Consolidated
Total assets	$ 448,025	$ 145,172	$ 121,906	$ 715,103
Net capital asset additions	79,645	4,335	70	84,050
Indefinite lived intangible assets	23,884	8,872	—	32,756
Goodwill	60,921	37,682	—	98,603

				December 31, 2013
	Aviation	Manufacturing	Head Office	Consolidated
Total assets	$ 365,750	$ 460,479	$ 135,143	$ 961,372
Net capital asset additions	72,141	8,171	19	80,331
Indefinite lived intangible assets	22,656	11,733	—	34,389
Goodwill	58,016	49,419	—	107,435

The following is the geographic breakdown of revenues for the year ended December 31, 2014 and the 2013 comparative year, based on location of the customer, and the capital assets and goodwill as at the balance sheet dates:

Year Ended December 31,	2014	2013
Canada	$ 432,931	$ 427,081
United States	81,559	66,407
Other	28,013	15,564
Total revenue for the year — from continuing operations	$ 542,503	$ 509,052

	As at December 31, 2014		As at December 31, 2013	
	Capital Assets	Goodwill	Capital Assets	Goodwill
Canada	$ 313,186	$ 46,013	$ 288,704	$ 46,013
United States	51,728	52,590	42,647	61,422
	$ 364,914	$ 98,603	$ 331,351	$ 107,435

Percentage-of-Completion Revenues

The operations of Stainless and WesTower within the Manufacturing segment have long-term contracts where revenues are recognized on a percentage-of-completion basis. The percentage complete is calculated based upon contract costs incurred to date compared with total estimated contract costs. The percentage complete is then applied to total anticipated contract revenue to determine the percentage-of-completion revenue. A provision for the estimated loss is made when contract costs are expected to exceed estimated contract revenue. During the year ended December 31, 2014, the Company recognized revenue from continuing operations on these types of long-term contracts totaling $151,708 (2013 – $148,891).

The following summarizes the costs and estimated earnings on uncompleted contracts as of December 31, 2014:

As at December 31	2014	2013
Costs incurred on uncompleted contracts	$ 89,228	$ 543,658
Estimated earnings	22,087	194,666
	111,315	738,324
less: billings to date	(108,887)	(604,955)
Total	$ 2,428	$ 133,369
Costs incurred plus recognized profits in excess of billings	$ 11,507	$ 176,971
Billings in excess of costs incurred plus recognized profits	(9,079)	(43,602)
Total	$ 2,428	$ 133,369

Aviation Segment Supplemental Disclosure

The Aviation segment's revenues and expenses combine services provided and the sale and lease of goods. The following summarizes the breakdown of the significant categories for the year ended December 31, 2014 and the 2013 comparative periods:

Year ended December 31,	2014	2013
Sale of services	$ 262,567	$ 269,094
Sale and lease of goods	76,517	44,120
	339,084	313,214
Direct operating expenses — sale of services	183,370	200,521
Cost of goods sold and lease expenses	34,126	8,377
	$ 217,496	$ 208,898

16. Impairment And Restructuring

During 2014, the Company restructured Bearskin's operations to eliminate certain unprofitable routes. Management accrued and expensed restructuring costs of $1,300. Total payments during the year ended December 31, 2014 by Bearskin for restructuring costs were $741, with the remaining $559 accrued in accounts payable and accrued expenses. The expenditures relate mainly to severance costs for reducing personnel levels.

In addition, as part of the restructuring at Bearskin, $663 of additional depreciation was recorded subsequent to the restructuring as the residual value and remaining useful lives of certain assets were reassessed as part of the restructuring.

17. Earnings Per Share

Basic earnings per share for the Company's continuing operations is calculated by dividing the net income from continuing operations by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has two categories of dilutive potential common shares: vested deferred shares that have vested under the Company's Deferred Share Plan and convertible debentures. For the convertible debentures, the convertible debt is assumed to have been converted into common shares and the net income is adjusted to eliminate the interest expense from the convertible debt less the tax effect.

The computation for the Company's continuing operations for basic and diluted earnings per share for the year ended December 31, 2014 and comparative in 2013 year are as follows:

Year Ended December 31,	2014	2013
Net earnings (loss) from continuing operations	$ (11,625)	$ 10,599
Effect of dilutive securities		
Convertible debentures	—	—
Diluted earnings (loss) from continuing operations	$ (11,625)	$ 10,599
Basic weighted average number of shares	22,127,189	21,337,091
Effect of dilutive securities		
Vested deferred shares	—	126,642
Convertible debentures	—	—
Diluted basis average number of shares	22,127,189	21,463,733
Earnings (loss) per share from continuing operations:		
Basic	$ (0.53)	$ 0.50
Diluted	$ (0.53)	$ 0.49

18. Expenses by Nature

The following disaggregates expenses by nature for direct operating expenses, cost of goods sold, and general and administrative expenses (all excluding depreciation and amortization), which are presented in the statement of income.

	2014	2013
Salaries, wages & benefits	$ 145,693	$ 144,195
Aircraft operating expenses	130,981	120,894
Materials	116,114	112,401
General and administrative	33,578	28,104
Building rent and maintenance	6,199	5,605
Communication and information technology	3,677	3,782
Advertising	3,177	3,464
Sub-contracting services	3,887	4,868
Other	4,919	3,959
	$ 448,225	$ 427,272

19. Employee Benefits

Deferred Share Plan

The number of deferred shares granted under the Deferred Share Plan were as follows:

	2014	2013
Deferred shares outstanding, beginning of year	201,976	134,513
Granted during the year	70,110	55,847
Granted through dividends declared during the year	21,456	11,616
Redeemed during the year	(3,781)	—
Deferred shares outstanding, end of year	289,761	201,976
Vested portion of deferred shares outstanding, end of year	186,737	126,642

The fair value of the deferred shares granted during the 2014 year was $1,444 at the time of the grant (weighted average grant price of $20.60 per share) and was based on the market price of the Company's shares at that time (2013 – $1,550, weighted average grant price of $28.02 per share). During the 2014 year, the Company recorded compensation expense of $1,266 for the Deferred Share Plan within the general and administrative expenses of head-office (2013 – compensation expense of $1,044).

Employee Share Purchase Plan

Certain employees of the Company participate in an Employee Share Purchase Plan ("ESPP"). Under the ESPP, employees make contributions of up to 5% of their base salaries to purchase Company shares out of Treasury, and upon the employees remaining employed with the Company or its subsidiaries during an 18-month vesting period, they are entitled to receive an additional number of shares ("additional shares") equal to 33.3% of the number of shares they purchased and dividends declared on those additional shares over the vesting period. The cost of the award is recognized in head-office expenses of the Company over the 18 month vesting period.

At the decision of the employee, any dividends paid on the additional shares over the vesting period are either paid to the employee upon the shares vesting or shares are purchased using these dividend funds.

During 2014, 53,894 Shares were issued out of Treasury at a weighted average price of $21.34 per share, effective November 18, 2014 for the 2014 program that will vest in 18 months (Quarter 2 of 2016). The grant date fair value of the shares that will be awarded upon the vesting conditions of the plan being attained is estimated at $430 based on the share price and monthly dividend rate as at that time.

During 2013, 76,148 Shares were issued out of Treasury at a weighted average price of $19.58 per share, effective November 18, 2013 for the 2013 program that will vest in 18 months (Quarter 2 of 2015). The grant date fair value of the shares that will be awarded upon the vesting conditions of the plan being attained is estimated at $561 based on the share price and monthly dividend rate as at that time.

The ESPP plan is adjusted for changes in the Company's share price at the period-end, any changes in the Company's dividend rate and any estimated forfeitures. During 2014, total expenses recorded in head-office expenses was $851 (2013 – $514).

20. Contingencies and Commitments

The Company and its subsidiaries rent premises and equipment under operating lease agreements. The minimum lease payments under these contractual obligations are as follows:

Commitments	December 31, 2014	December 31, 2013
Less than 1 year	$ 6,903	$ 10,410
Between 1 year and 5 years	13,935	21,906
More than 5 years	15,512	12,863
	$ 36,350	$ 45,179

Included in the table above are commitments to related parties in association with leased property used in the operations of the Manufacturing and Aviation segments which are described further in Note 21.

During the year the Company's continuing operations expensed $6,749 (2013 – $6,196) of operating lease costs.

21. Related Party Transactions

The following transactions were carried out by the Company with related parties.

Property Leases

Various entities lease several buildings from related parties who were vendors of the entity that the Company purchased the business from originally. These vendors are considered related parties because of their continued involvement in the management of those businesses. These leases are considered to be at market terms and recognized in the consolidated financial statements at the exchange amounts. The total costs incurred in 2014 under these leases was $2,734 (2013 – $2,145) and the lease term maturities range from 2015 to 2018. The expense is recorded within general and administrative expenses and is paid monthly, therefore no balance exists on the Company's statement of financial position (2013 – nil).

Key Management Compensation

The Company identifies its key management personnel being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company's board (whether executive or otherwise). The key management personnel include the executive management team and the board of directors.

Compensation awarded to key management for the 2014 year and the comparative 2013 year is as follows:

Year ended December 31,	2014	2013
Salaries and short-term benefits	$ 4,341	$ 2,872
Share-based payments	1,510	1,118
	$ 5,851	$ 3,990

22. Financial Instruments and Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency, interest rate and other price risk.

Currency Risk

The Company has US$13,900 ($16,125) (2013 – US$157,197 ($167,195)) outstanding on its credit facility. The outstanding funds in USD results in currency risk that the future cash flows will fluctuate with the changes in market currency rates. The exposure for the USD portion of its credit facility outstanding is offset by the cash generated through the operations of its Manufacturing and Aviation segment subsidiaries, in particular, the operations of Stainless and Regional One throughout the United States.

The Company`s investment in EIIF USA is hedged partially by US$13,900 (2013 – US$97,300) of the secured bank loan which mitigates the foreign currency translation risk arising from the subsidiary`s net assets. The loan is designated as a net investment hedge and no ineffectiveness was recognized from the net investment hedge.

During 2014, with the proceeds from the disposition of WesTower US, the Company repaid all of its outstanding debt in its credit facility at that time. As a result, the Company reclassified $9,517 (net of tax) of net losses previously accumulated in other comprehensive income on the hedged US debt in the EIC head-office portion of its credit facility that was repaid. This amount is included in the gain on disposal (Note 26).

During 2013, the Company entered into a currency swap in order to hedge a portion of the net investment in its subsidiary's net assets. The hedge contracted the Company to convert US$60,000 into $61,398 Canadian equivalent. The swap was settled on September 20, 2013. As a result, a $474 loss on the hedge was recorded within other comprehensive income in the prior period.

A $0.01 weakening in the value of the Canadian dollar in relation to the US dollar applied to the Company's US financial instruments outstanding at December 31, 2014 would have a $nil (2013 – $nil) impact on net earnings and decrease the foreign currency translation adjustment in Other Comprehensive Income by approximately $0.2 million (2013 – $1.7 million).

Interest Rates

The Company is subject to the risk that future cash flows associated with the credit facility outstanding (Note 11) will fluctuate due to fluctuations in interest rates and the degree of volatility of the rates. The Company manages this risk and seeks financing terms in individual arrangements that are most advantageous.

The terms of the credit facility allow for the Company to choose the base interest rate between Prime, Bankers Acceptances or London Inter Bank Offer Rate ("LIBOR"). At December 31, 2014, US$13,900 (2013 – US$148,400) was outstanding under US LIBOR, US$nil (2013 – US$8,797) was outstanding under USD Prime, $nil (2013 – $6,000) was outstanding under Prime and $nil (2013 – $45,150) was outstanding under Banker's Acceptances. Subsequent to December 31, 2014, the Company utilized its credit facility to fund the cash portion of the acquisition of Provincial. This resulted in a draw of $232,100 under Prime on January 2, 2015.

Based on the outstanding credit facility throughout 2014, net of cash and cash equivalents, a 1% increase in interest rates for the Company would decrease net earnings by approximately $1.9 million ($1.2 million after-tax) (2013 – $1.4 million ($1.0 million after tax)).

The interest rates of the convertible debentures (Note 12) have fixed interest rates.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The maximum credit exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents, accounts receivable and other assets. Unless otherwise specified, the Company does not hold any collateral from counterparties related to such financial assets.

The Company is exposed to credit risk arising from deposits of cash and cash equivalents with financial institutions. The Company maintains its cash and cash equivalents with highly rated financial institutions within Canada and the US.

In addition, the Company is exposed to credit risk from its customers. While the operations serve markets in Western Canada and the United States, the Company has a large number of customers and the customer receivables are monitored at each business entity level.

As at December 31, 2014, $9,618 (2013 – $10,443) of the outstanding receivables were greater than 90 days outstanding. Approximately $1,250 (2013 – $3,617) of this relates to the Manufacturing segment and the $8,368 (2013 – $6,826) relates to the Aviation segment. Management at each of the Company's subsidiaries monitor accounts receivables overdue amounts on a daily basis and respond accordingly. The Company's subsidiaries maintain an adequate allowance for doubtful accounts and review the allowance on a monthly basis.

The Company has credit risk exposure on the amounts advanced under any promissory note or loan arrangement. This includes the items within Other Assets on the Company's consolidated statement of financial position, in particular, the lease arrangements for Regional One where long-term receivables are recognized with aviation companies in finance lease arrangements. The security the Company has from these arrangements is considered adequate to cover the carrying value of these items.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations, borrowing under existing credit facilities, the issuance of either or a combination of debentures and equity. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amount of committed credit facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as cash flows. Due to the nature of the business, the Company aims to maintain flexibility in funding by keeping committed credit facilities available (Note 11). As at December 31, 2014, the Company had $321.1 million available under its senior credit facility, excluding the impact of foreign exchange. Subsequent to December 31, the Company made a draw on its credit facility in connection with the acquisition of Provincial (Note 27).

The Company's financial liabilities and related capital amounts have contractual maturities which are summarized below into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the following table are the contractual undiscounted cash flows:

	Total	Less than 1 year	Between 1 year and 5 years	More than 5 years
Accounts payable and accrued expenses	$ 83,531	$ 83,531	$ —	$ —
Long-term debt	16,125	—	16,125	—
Convertible debentures	276,902	—	171,914	104,988
Total	$ 376,558	$ 83,531	$ 188,039	$ 104,988

Fair Value of Financial Instruments

The following table provides information about financial assets and liabilities measured at fair value in the consolidated balance sheet and categorized by level according to the significance of the inputs used in making the measurements and their related classifications:

Recurring measurements	Carrying Value December 31, 2014	Quoted prices in an active market Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Financial Liabilities				
Consideration liabilities — Other financial liabilities	$ (2,162)	$ —	$ —	$ (2,162)
Fair Value Disclosures				
Other assets — Loans and receivables	5,167	—	5,167	—
Long term debt — Other financial liabilities	(15,214)	—	—	(16,125)
Convertible debt — Other financial liabilities	(255,092)	(251,982)	—	—

Recurring measurements	Carrying Value December 31, 2013	Quoted prices in an active market Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Financial Liabilities				
Consideration liabilities — Other financial liabilities	$ (12,582)	$ —	$ —	$ (12,582)
Fair Value Disclosures				
Other assets — Loans and receivables	8,717	—	2,942	5,775
Long term debt — Other financial liabilities	(217,348)	—	—	(218,345)
Convertible debt — Other financial liabilities	(219,906)	—	(231,661)	—

The Company valued the level 3 consideration liabilities based on the present value of estimated cash outflows using probability weighted calculations, discount rates and the observable fair market value of its equity, as applicable.

The following table summarizes the changes in the consideration liability recorded on the acquisition of Regional, including any changes for settlements, changes in fair value and foreign currency:

Consideration Liability Summary For the year ended December 31,	2014	2013
Opening	$ 12,582	$ —
Initial recognition	—	30,423
Accretion	102	281
Consideration liability fair value adjustment	(651)	(1,051)
Settled during the year	(10,393)	(18,049)
Translation loss	522	978
Ending	$ 2,162	$ 12,582

The remaining consideration liability outstanding at December 31, 2014 consists of certain tax related liabilities owing to the vendors. Additionally, there are 350,567 Shares of the Company that were issued into escrow at the time of acquisition and relate to the retention of the vendor as CEO. These remaining Shares are anticipated to be settled and released from escrow evenly on each of the next four anniversaries of closing the acquisition.

Financial Instrument Fair Value Disclosures

The fair values of cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses which are classified as loans and receivables or other financial liabilities, as applicable, approximate their carrying values due to their short term nature.

As at December 31, 2014, management had determined that the fair value of its long term debt approximates its carrying value as such debt is subject to floating interest rates and the Company's credit risk profile has not significantly changed current market conditions as the debt was recently amended (Note 11).

As at December 31, 2014, management estimated the fair value of the convertible debentures based on valuation techniques taking into account trading values where available. The estimated fair value of its convertible debentures is $251,982 (December 31, 2013 – $231,661) and a carrying value of $255,092 (December 31, 2013 – $219,906).

The Company's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2014, the Series F convertible debentures matured. Series F relied upon significant other observable inputs for determination of fair value and therefore could not be classified as a Level 1 instrument. Going forward, all remaining convertible debentures will use Level 1 inputs for valuation and accordingly, convertible debentures were transferred from Level 2 to Level 1 in the fair value hierarchy above.

23. Changes In Working Capital Items

The changes in non-cash operating working capital items are as follows:

Year Ended December 31,	2014	2013
Accounts receivable	$ (18,427)	$ (1,769)
Costs incurred plus recognized profits in excess of billings	(12,343)	(56,003)
Inventory	(15,136)	(30,397)
Prepaid expenses	(452)	(2,598)
Accounts payable and accrued charges	11,690	10,605
Income taxes receivable/payable	7,288	(11,714)
Deferred revenue	(1,054)	(422)
Billings in excess of costs incurred plus recognized profits	36,678	13,256
Foreign currency impact	12,679	9,213
Net change in working capital items	$ 20,923	$ (69,829)

24. Capital Management

The Company manages its capital to utilize prudent levels of debt. The Company maintains its level of senior debt within a range of 1.5–2.5 times funded senior debt to pro forma Operating profit before Depreciation, Amortization, Finance Costs and Other.

The Company's objective in managing capital is to:

- ensure flexibility in the capital structure to fund the operations, distributions to shareholders, capital investments and to support the external growth strategy;
- maintain adequate liquidity at all times; and
- maintain a diversified capital structure.

The Company actively manages and monitors the capital structure and makes adjustments based on the objectives described above in response to changes in economic conditions and the risk characteristics of the underlying assets.

The following is considered by the Company as capital and may not be comparable to measures presented by other public companies:

	December 31, 2014	December 31, 2013
Total senior debt outstanding, principal value	$ 16,125	$ 218,345
Convertible debentures outstanding, face value	276,902	241,431
Shares	308,919	295,939
Reserved shares	—	623
Total capital	$ 601,946	$ 756,338

There are certain capital requirements of the Company resulting from the Company's credit facility that include financial covenants and ratios, including leverage ratios that assess the funded senior debt to adjusted earnings before interest, income tax expense, depreciation, amortization, acquisition costs and other non-cash items ("EBITDA") ratio. Management uses these capital requirements in the decisions made in managing the level and make-up of the Company's capital structure. The Company has been in compliance with all of the financial covenants during the 2014 year.

Changes in the capital of the Company over the year ended December 31, 2014 are mainly attributed to the issuance of the March 2014 convertible debenture offering and the use of the proceeds from the sale of WesTower US (Note 26) to repay outstanding senior debt.

25. Income Tax

Reconciliation of Effective Tax Rate

The tax on the Company's profit before tax differs from the amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2014	2013
Earnings before provision for income taxes	$ 20,775	$ 19,092
Combined Canadian federal and provincial tax rates	27.0%	27.0%
Income tax expense at statutory rates	5,609	5,155
Increase (decrease) in taxes resulting from:		
Permanent differences	671	271
Non taxable dividend income and capital gains	(311)	(830)
Realized capital gains	778	—
Impact of foreign tax rate differences	294	(73)
Derecognition of deferred tax asset due to CRA settlement (Note 27)	22,860	—
Impact of discontinued operations	2,504	4,008
Other	(5)	(38)
Provision (recovery) for income taxes	$ 32,400	$ 8,493

Unrecognized Deferred Tax Liabilities

At December 31, 2014 a deferred tax liability of $3,446 (2013 – $1,424) for temporary differences of $25,529 (2013 – $10,548) related to investments in subsidiaries was not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not reverse in the foreseeable future.

Movement in Deferred Tax Balances During the Year

The movement in deferred income tax assets and liabilities during the year is as follows:

	December 31, 2013	Business Divestiture	Credited / (charged) through statement of income	Credited / (charged) to other comprehensive income	Credited / (charged) through equity	Credited/ Charged through discontinued operations	December 31, 2014
Deferred income tax assets							
Capital assets	$ (20,179)	$ —	$ 20,576	$ —	$ —	$ —	$ 397
Intangible assets	(3,415)	—	3,415	—	—	—	—
Financing costs	(255)	—	255	—	—	—	—
Accruals — deductible when paid	588	—	(588)	—	—	—	—
Capital and non-capital loss carryforwards	29,344	—	(29,344)	—	—	—	—
Other comprehensive income	(1,165)	—	—	1,165	—	—	—
Convertible debentures	(3,604)	—	3,604	—	—	—	—
Other	(12)	—	12	—	—	—	—
Total deferred income tax asset	$ 1,302	$ —	$ (2,070)	$ 1,165	$ —	$ —	$ 397
Deferred income tax liability							
Capital assets	$ (7,169)	$ 892	$ (21,879)	$ (149)	$ —	$ 644	$ (27,661)
Intangible assets	(4,186)	1,240	(6,060)	—	—	56	(8,950)
Financing costs	—	—	(696)				(696)
Accruals — deductible when paid	2,258	(2,840)	382	—	—	819	619
Other comprehensive income	—	—	—	76			76
Convertible debentures	—	—	(2,863)		(729)		(3,592)
Non-deductible reserves	(2,061)	—	121	—	—	—	(1,940)
Capital and non-capital loss carryforwards	915	(964)	1,362	—	—	927	2,240
Other	2	—	91	—	—	—	93
Total deferred income tax liability	(10,241)	(1,672)	(29,542)	(73)	(729)	2,446	(39,811)
Net	$ (8,939)	$ (1,672)	$ (31,612)	$ 1,092	$ (729)	$ 2,446	$ (39,414)

	December 31, 2012	Acquisition through business combination	Credited / (charged) through statement of income	Credited / (charged) to other comprehensive income	Credited / (charged) through equity	Reclass	December 31, 2013
Deferred income tax assets							
Capital assets	$ (18,781)	$ —	$ (1,398)	$ —	$ —	$ —	$ (20,179)
Intangible assets	(3,257)	—	(158)	—	—	—	(3,415)
Financing costs	324	—	(579)	—	—	—	(255)
Accruals — deductible when paid	581	—	7	—	—	—	588
Capital and non-capital loss carryforwards	32,980	—	(3,636)	—	—	—	29,344
Other comprehensive income	(117)	—	581	(1,048)	—	—	(584)
Convertible debentures	(3,023)	—	(4)	—	(1,162)	—	(4,189)
Other	(8)	—	—	—	—	—	(8)
Total deferred income tax asset	$ 8,699	$ —	$ (5,187)	$ (1,048)	$ (1,162)	$ —	$ 1,302
Deferred income tax liability							
Capital assets	$ (7,710)	$ —	$ 643	$ (102)	$ —	$ —	$ (7,169)
Intangible assets	(4,411)	—	225	—	—	—	(4,186)
Accruals — deductible when paid	1,195	—	1,063	—	—	—	2,258
Non-deductible reserves	(2,232)	—	171	—	—	—	(2,061)
Capital and non-capital loss carryforwards	941	—	(26)	—	—	—	915
Other	4	—	(2)	—	—	—	2
Total deferred income tax liability	(12,213)	—	2,074	(102)	—	—	(10,241)
Net	$ (3,514)	$ —	$ (3,113)	$ (1,150)	$ (1,162)	$ —	$ (8,939)

Non-capital Loss Carry-forwards

See Note 27 relating to the write-off of certain non-capital loss carry-forwards during 2014.

As at December 31, 2014 the Company had $9,135 of non-capital loss carry-forwards available to reduce future years' taxable income, which expire as follows in 2028 and beyond.

26. Discontinued Operations

The Company entered into a stock purchase agreement with MasTec Network Solutions, LLC ("MasTec") to sell the wholly owned subsidiary WesTower US, for US$200,000, subject to customary adjustments. The operations sold include all of the operations of WesTower US in the United States. The Company retains the operations of WesTower CDA, which includes all the operations of WesTower in Canada and is reported within the Company's Manufacturing segment. The effective date of the closing was October 1, 2014. With the rapid growth of WesTower US since the beginning of fiscal 2012 and having significant operations tied to one customer, the Company was no longer effectively diversified. The sale enables the Company to rebalance the portfolio of subsidiary operations, while providing access to capital to fund other acquisition opportunities.

As a result of the transaction, the Company has presented the results of WesTower US as Discontinued Operations for both current and comparative periods in the Company's consolidated statements of income. The WesTower US assets and liabilities have been removed from the Company's consolidated statement of financial position at December 31, 2014 as a result of the sale, but are still included in the 2013 comparative period.

The sale price was funded in cash and is subject to customary adjustments, including adjustments for working capital. The Company anticipates having the customary adjustments to the purchase price settled with MasTec in the first half of 2015. The Company collected proceeds of US$199,031 in October 2014 and these funds were used to repay all of the Company's debt outstanding under its senior credit facility at that time.

The following describes the net assets of WesTower US (translated in Canadian currency) sold as part of the transaction:

	As at October 20, 2014
Assets	
Current	
Cash and cash equivalents	$ 20,207
Accounts receivable	77,799
Costs incurred plus recognized profits in excess of billings	177,807
Inventory	40,311
Prepaid expenses and deposits	4,578
	320,702
Capital Assets	6,572
Intangible Assets	3,459
Goodwill	13,918
	$ 344,651
Liabilities	
Current	
Accounts payable and accrued expenses	$ 79,350
Income taxes payable	983
Billings in excess of costs incurred plus recognized profits	71,201
Current portion of finance leases	124
	151,658
Finance Leases	233
Deferred Income Tax Liability	(1,632)
	150,259
Carrying value of net assets held for sale	$ 194,392
Proceeds	
Proceeds, net of adjustments	$ 209,180
Transaction costs	(4,440)
	204,740
Carrying value of net assets disposed	194,392
Pre-tax gain on disposal	10,348
Income taxes	(1,906)
Gain on disposal of discontinued operations	$ 8,442

The stock purchase agreement included certain indemnities, tangible net worth and working capital settlement mechanisms. The Company has recorded its best estimate of such amounts and any resolution of such uncertainties will be recognized in subsequent periods. Adjustments to the amounts recorded will be recognized at that time and such adjustments may be material.

Included in Discontinued Operations are the results of WesTower US, the allocation of certain costs to WesTower US and the net gain on disposition. The following is the results from operating activities of the Company's Discontinued Operations for the period ended October 20, 2014 and the year ended December 31, 2013:

For the periods ended	October 20, 2014	December 31, 2013
Revenue	$ 389,379	$ 521,027
Expenses		
Manufacturing expenses — excluding depreciation and amortization	346,196	481,805
General and administrative	33,982	40,503
Operating profit before depreciation, amortization, finance costs and other	9,201	(1,281)
Depreciation and amortization	3,356	3,858
Finance costs — interest[1]	4,745	3,603
Earnings before tax	1,100	(8,742)
Current income tax expense (recovery)	112	(5,844)
Deferred income tax (recovery)[2]	(2,446)	(1,283)
Results from operating activities	$ 3,434	$ (1,615)

(1) The Company allocated interest expense to Discontinued Operations representing the portion of interest expense related to the Company's senior credit facility that was repaid as a result of the transaction. During the year ended December 31, 2014, the Company allocated interest expense of $4,705 to discontinued operations (2013 – $3,576).

(2) The presentation of Discontinued Operations have certain inter-company transactions between WesTower US and the Company's continuing operations eliminated in computing consolidated net earnings for continuing operations. The tax benefits of the inter-company transactions are included in Discontinued Operations.

During 2014, the Company's net earnings from Discontinued Operations was $19,880 (2013 – net loss of $1,615). Included in the 2014 net earnings from Discontinued Operations are the results from operations in 2014 of $3,434 prior to the disposition and the gain on the disposition totaling $16,446, net of tax. The gain on disposition is comprised of the gain on disposal of Discontinued Operations, the reclassification of certain items from other comprehensive income relating to the repayment of debt in the Company's credit facility previously accounted for as a hedge of the net investment in WesTower US, and cumulative translation adjustments. The basic earnings per share for 2014 is $0.90 ($0.89 fully diluted) (2013 basic loss per share of $0.08 ($0.08 fully diluted)).

The cash flows of the Company include WesTower US for all periods up to the date of the transaction. The following are the cash flows from the Company's Discontinued Operations for the period ended October 20, 2014 and the year ended December 31, 2013.

Cash Flows from discontinued operations For the periods ended	October 20, 2014	December 31, 2013
Net cash from (used in) operating activities	$ 22,139	$ (59,789)
Net cash from (used in) investing activities	(732)	(4,828)
Net cash from (used in) financing activities	(16,387)	72,755
Cash Flows from discontinued operations	$ 5,020	$ 8,138

Included within the Financing Activities of the Discontinued Operations are intercompany cash flow transactions between WesTower US and EIC. These cash flows relate to inter-company financing activities related to additional investments to fund working capital shortfalls or return capital, as applicable. The financing activities also include principal payments on finance leases of $500 for the period ended October 20, 2014 (year ended December 31, 2013 – $403).

27. Subsequent Event

Acquisition Announcement: Provincial Aerospace Ltd.

The Company announced on November 12, 2014, that it signed a stock purchase agreement to acquire the shares of Provincial Aerospace Ltd. ("Provincial"), a Canadian owned corporation based out of St. John's, Newfoundland. Provincial was founded in 1972 and operates three distinct business units, a scheduled airline, fixed base operations and aerospace. Provincial operates its fixed wing scheduled service in Newfoundland and Labrador, Quebec, New Brunswick and Nova Scotia providing approximately 210 scheduled flights weekly as well as charter services across the territory. The aerospace business designs, modifies, maintains and operates custom sensor equipped aircraft. It has maritime surveillance and support operations in Canada, the Caribbean and the Middle East. Provincial operates a total of 30 aircraft. The scheduled operations business has a fleet primarily comprised of Dash 8's and Twin Otters and the aerospace business operates various aircraft types for multiple customers.

The transaction closed on January 2, 2015. The Company paid a total price of approximately $246 million, subject to customary post-closing adjustments, of which approximately 5% was paid through the issuance of 523,188 common shares of EIC. The balance, or approximately $234 million, was financed through the Company's unutilized credit facility. The Company's results for 2014 do not include any financial results of Provincial's operations. Financial results of Provincial's operations will be included in the Company's results starting in the first quarter of 2015.

Subsequent Announcement: CRA Settlement

The Company announced that it has entered into an agreement with the Canada Revenue Agency ("CRA") regarding the CRA's objection to the tax consequences of the conversion of EIC's income trust structure into a business corporation in July 2009. The agreement will not give rise to any cash outlay by the Corporation for prior taxation years. The agreement results in a non-cash charge in the Company's consolidated net earnings for the 2014 year related to the write-off of certain of the Company's deferred tax assets.

Subsequent Announcement: Amended Credit Facility

Subsequent to the end of 2014, the Company utilized its credit facility to fund the cash portion of the purchase price relating to the acquisition of Provincial that closed on January 2, 2015 and related closing costs. At that time the Company changed the allocation of the available credit between EIC head-office and EIIF USA to allow for more credit available in EIC head-office given the amount of Canadian funds required for the Provincial acquisition. As a result, the amount allocated to EIC head-office was changed to $320 million and $15 million for EIIF USA. Subsequent to the closing of the Provincial acquisition, the Company amended the terms of its credit facility which resulted in increasing the credit available to be $450 million, adding two new banks to the syndicate partnership, and extending maturity to be May 2019. With the changes, the amount of credit allocated to EIC head-office was changed to $400 million and $50 million for EIIF USA.

Series I Convertible Debentures Early Redemption

Subsequent to the end of 2014, the Company announced on February 19, 2015 that it was exercising its right to call the Series I convertible debentures. These convertible debentures will be repaid on April 15, 2015 using funds from the Company's credit facility. The principal value of these convertible debentures is currently $34,944 as of February 19, 2015.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Hon. Gary Filmon, P.C., O.C., O.M.
Chairman

Duncan D. Jessiman, Q.C.
Executive Vice-Chairman

Donald Streuber, F.C.A.
Chair, Audit Committee

Gary Buckley
Chair, Compensation Committee

Michael Pyle
President & Chief Executive Officer

Brad Bennett, O.B.C.

Serena Kraayeveld, F.C.A., ICD.D
Chair, Corporate Governance Committee

Edward Warkentin, LL.B.

Jeffrey Olin

Senior Management

Michael Pyle
President & Chief Executive Officer

Duncan D. Jessiman, Q.C.
Executive Vice-Chairman

Carmele Peter, LL.B.
Chief Administrative Officer

Edward Mahood
Chief Financial Officer

Adam Terwin, C.A., C.F.A.
Chief Corporate Development Officer

Darwin Sparrow
Chief Operating Officer

Gary Beaurivage
Vice-President & Chief Operating Officer, Aviation

Michael Swistun
Director of Acquisitions

CORPORATE INFORMATION

OFFICERS

Michael Pyle
Chief Executive Officer

Carmele Peter
President

Duncan D. Jessiman, Q.C.
Executive Vice-Chairman

Edward Mahood
Chief Financial Officer

Adam Terwin
Chief Corporate Development Officer

Darwin Sparrow
Chief Operating Officer

Gary Beaurivage
Vice-President &
Chief Operating Officer, Aviation

Dianne Spencer
Corporate Secretary

LEGAL COUNSEL

Aikins, MacAuley & Thorvaldson LLP
Winnipeg, MB

AUDITORS

PricewaterhouseCoopers LLP
Winnipeg, MB

BANKERS

The Toronto-Dominion Bank
Roynat Inc.
Canadian Imperial Bank of Commerce
Alberta Treasury Branches
National Bank of Canada
Laurentian Bank of Canada
Export Development Canada

TRANSFER AGENT

CIBC Mellon Trust Company
Calgary, AB

STOCK EXCHANGE LISTING & SYMBOL

TSX: EIF

ANNUAL GENERAL & SPECIAL MEETING

Calm Air Hangar Facility
930 Ferry Road
Winnipeg, MB R3H 0Y8
Date: May 13, 2015
Time: 10:30 am

CORPORATE OFFICE

1067 Sherwin Road
Winnipeg, MB R3H 0T8
Tel: (204) 982-1857
Fax: (204) 982-1855
exchangeincomecorp.ca

WEBSITE LISTINGS FOR SUBSIDIARY COMPANIES

Bearskin Airlines
bearskinairlines.com

Calm Air
calmair.com

Custom Helicopters
customheli.com

Keewatin Air
keewatinair.com

Perimeter Aviation
perimeter.ca

Provincial Aerospace Ltd.
provincialaerospace.com
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Regional One
regionalone.com

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westower.com/canada

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Income
Corporation

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