MANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

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

David LeMay, MBA
President and Chief Executive Officer

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

March 16, 2014

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The Churchill Corporation:

We have audited the accompanying consolidated financial statements of The Churchill Corporation, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of earnings (loss) and comprehensive earnings (loss), consolidated statements of changes in equity and consolidated statements of cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Churchill Corporation as at December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
March 16, 2014
Edmonton, Canada

THE CHURCHILL CORPORATION
Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)
For the years ended December 31, 2013 and 2012
(in thousands of Canadian dollars, except share and per share amounts)

	Note	**December 31, 2013**	December 31, 2012 (Note 3)
Contract revenue	7	**$ 1,106,469**	$ 1,222,056
Contract costs		**992,570**	1,107,843
Contract income		**113,899**	114,213
Other income	8	**818**	3,099
Finance income	9	**259**	417
Administrative costs		**(96,362)**	(105,941)
Finance costs	9	**(11,576)**	(11,578)
Asset impairment	20, 21, 22	**-**	(64,600)
Earnings (loss) before tax		**7,038**	(64,390)
Income tax (expense) recovery			
Current income tax		**(2,221)**	(1,956)
Deferred income tax		**328**	4,006
	12	**(1,893)**	2,050
Net earnings (loss)		**5,145**	$ (62,340)
Other comprehensive earnings (loss)			
Items that will not be reclassified to net earnings (loss)			
Defined benefit plan actuarial gains (losses)	14	**6,097**	(4,138)
Deferred tax (expense) recovery on other comprehensive earnings	14	**(1,549)**	1,045
		4,548	(3,093)
Total comprehensive earnings (loss)		**$ 9,693**	$ (65,433)
Earnings (loss) per share:			
Basic earnings (loss) per share	15	**$ 0.21**	$ (2.55)
Diluted earnings (loss) per share	15	**$ 0.21**	$ (2.55)
Weighted average common shares:			
Basic	15	**24,641,942**	24,402,974
Diluted	15	**24,715,655**	24,402,974

See accompanying notes to the consolidated financial statements.

THE CHURCHILL CORPORATION
Consolidated Statements of Financial Position
As at December 31, 2013 and December 31, 2012
(in thousands of Canadian dollars)

	Note	**December 31, 2013**	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents	16	**$ 36,236**	$ 33,774
Trade and other receivables	17	**262,836**	309,097
Inventory		**11,362**	11,521
Prepaid expenses		**2,426**	3,850
Costs in excess of billings	18	**48,455**	39,100
Income taxes recoverable		**5,470**	9,505
Current portion of long-term receivable		**75**	225
Assets held-for-sale	13	**436**	436
		367,296	407,508
Service provider deposit	19	**6,157**	4,008
Long-term receivable		**175**	50
Deferred tax asset	12	**13,881**	15,383
Property and equipment	20	**76,341**	77,781
Goodwill	21	**179,016**	179,016
Intangible assets	22	**51,810**	58,695
		$ 694,676	$ 742,441
LIABILITIES			
Current liabilities			
Trade and other payables	23	**$ 190,363**	$ 233,442
Contract advances and unearned income	18	**80,708**	82,590
Current portion of provisions	24	**3,987**	6,492
Income taxes payable		**4,823**	4,991
Current portion of long-term debt	25	**2,559**	828
		282,440	328,343
Employee benefits	14	**3,639**	10,820
Provisions	24	**4,892**	4,407
Long-term debt	25	**50,335**	51,909
Convertible debentures	26	**81,855**	79,151
Deferred tax liability	12	**28,646**	28,927
Share-based payments	27(f)	**5,911**	3,734
		457,718	507,291
EQUITY			
Share capital	28(a)	**129,134**	126,602
Preferred share reserve	28(c)	**5,128**	5,128
Convertible debentures	26	**7,100**	7,100
Share-based payment reserve	27(c)	**8,594**	7,171
Retained earnings		**87,002**	89,149
		236,958	235,150
		$ 694,676	$ 742,441

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

Albrecht W.A. Bellstedt, QC
Chairperson

Allister J. McPherson
Director

THE CHURCHILL CORPORATION
Consolidated Statements of Changes in Equity
For the years ended December 31, 2013 and 2012
(in thousands of Canadian dollars)

	Note	Share capital	Preferred share reserve	Convertible debentures	Share-based payment reserve	Retained earnings (Note 3)	Total equity
Balance at December 31, 2012		$ 126,602	$ 5,128	$ 7,100	$ 7,171	$ 89,149	$ 235,150
Net earnings						5,145	5,145
Other comprehensive gain:							
Defined benefit plan actuarial gain, net of tax	14					4,548	4,548
Total comprehensive earnings						9,693	9,693
Transactions recorded directly to equity							
Share-based payment transactions	28(a), 27(c)	894			1,423		2,317
Dividends	28(a), 28(b)	1,638				(11,840)	(10,202)
Balance at December 31, 2013		$ 129,134	$ 5,128	$ 7,100	$ 8,594	$ 87,002	$ 236,958
Balance at December 31, 2011		$ 124,290	$ 5,128	$ 7,100	$ 7,636	$ 164,987	$ 309,141
Net loss						(62,340)	(62,340)
Other comprehensive loss:							
Defined benefit plan actuarial loss, net of tax	14					(3,093)	(3,093)
Total comprehensive loss						(65,433)	(65,433)
Transactions recorded directly to equity							
Share-based payment transactions	27(c)				(465)	1,521	1,056
Dividends	28(a), 28(b)	2,503				(11,718)	(9,215)
Normal course issuer bid	28(a), 28(d)	(191)				(208)	(399)
Balance at December 31, 2012		$ 126,602	$ 5,128	$ 7,100	$ 7,171	$ 89,149	$ 235,150

See accompanying notes to the consolidated financial statements.

THE CHURCHILL CORPORATION
Consolidated Statements of Cash Flow
For the years ended December 31, 2013 and 2012
(in thousands of Canadian dollars)

	Note	December 31, 2013	December 31, 2012
OPERATING ACTIVITIES			
Net earnings (loss)		**$ 5,145**	$ (62,340)
Depreciation and amortization	10	**22,507**	27,170
(Gain) loss on disposal of assets		**(56)**	181
Gain on disposal of assets held-for-sale		**-**	(2,485)
Recovery on other long-term receivables		**-**	(147)
Impairment losses	21	**-**	64,600
Share-based compensation expense	27(g)	**5,721**	4,678
Income tax expense (recovery)	12	**1,893**	(2,050)
Finance costs	9	**11,576**	11,578
Contributions to employee benefits	14(b)	**(1,083)**	(1,633)
Payment of share-based payment liability		**(1,340)**	(2,963)
Cash settlement of stock options		**-**	(1,230)
Change in provisions	24	**(2,020)**	(2,270)
Change in non-cash working capital balances	29	**(7,011)**	(29,991)
Cash generated from operations		**35,332**	3,098
Interest paid		**(8,239)**	(8,411)
Income taxes received		**1,645**	11,859
Net cash generated from operating activities		**28,738**	6,546
INVESTING ACTIVITIES			
Loss on long-term receivable		**25**	406
Proceeds on disposal of assets		**589**	982
Proceeds on disposal of assets held-for-sale		**-**	4,150
Additions to intangible assets	22	**(1,096)**	(4,198)
Additions to property and equipment	20	**(9,597)**	(15,458)
Net cash used in investing activities		**(10,079)**	(14,118)
FINANCING ACTIVITIES			
(Decrease) increase in service provider deposit	19	**(2,149)**	2,058
Proceeds of long-term debt	25	**294,500**	516,000
Repayment of long-term debt	25	**(298,998)**	(526,562)
Issuance of common shares		**616**	-
Share purchase under normal course issuer bid		**-**	(398)
Dividend paid	28	**(10,166)**	(9,197)
Net cash used in financing activities		**(16,197)**	(18,099)
Increase (decrease) in cash and cash equivalents during the period		**2,462**	(25,671)
Cash and cash equivalents, beginning of period		**33,774**	59,445
Cash and cash equivalents, end of period		**$ 36,236**	$ 33,774

See accompanying notes to the consolidated financial statements.

1. REPORTING ENTITY

The Churchill Corporation was incorporated on August 31, 1981 in Canada under the Companies Act of Alberta and was continued under the Business Corporations Act (Alberta) on July 30, 1985. The principal activities of The Churchill Corporation and its subsidiaries (collectively, the "Corporation") are to provide building construction, commercial electrical and data systems contracting, industrial insulation contracting, industrial electrical and instrumentation contracting, civil construction and related services within Canada.

The address of the Corporation's head office and its principal address is #400, 4954 Richard Road S.W., Calgary, Alberta, Canada, T3E 6L1. The registered and records office is located at #3700, 400 – 3rd Avenue, S.W., Calgary, Alberta, Canada, T2P 4H2.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

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

These consolidated financial statements were approved by the Corporation's Board of Directors on March 16, 2014.

(b) Functional and presentation currency

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

(c) Basis of measurement

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

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

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

(d) Use of estimates and judgments

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

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

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

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

- Convertible debentures – judgments applied to determine the classification of debt and equity components of convertible debentures (Note 26); judgments applied in the selection of comparable marketable debentures used in the calculation of the fair value of the liability component of convertible debentures (Note 30(b)); and
- Income taxes – judgments applied to determine the likelihood of future taxable profits that will be sufficient to permit the recovery of deferred income tax assets (Note 12); judgments exercised in the assessment of continually changing tax interpretations, regulations, and legislations.

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

- Revenue recognition – estimates used to determine percentage of completion for construction contracts, specifically related to estimated costs to complete included in the various construction projects (Note 7); estimates used to determine cost in excess of billing and contract advances (Note 18)
- Estimates used to determine allowance for doubtful accounts (Note 17 and 30(c)(i))
- Measurement of defined benefit pension obligations (Note 14)
- Property and equipment – estimates related to the useful lives and residual values of assets (Note 20)
- Estimates in impairment of property and equipment, goodwill, and intangibles (Note 20, 21, and 22)
- Provisions – estimates associated with amounts and timing (Note 24)
- Assumptions used in share-based payment arrangements (Note 27)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contract costs and administrative costs have been reclassified in the comparative figures, resulting in an increase in contract costs and an offsetting decrease in administrative costs of $7,544 for the year ended December 31, 2012.

Effective January 1, 2013, the Corporation adopted IFRS 7 – Financial Instruments: Disclosures, IFRS 10 – Consolidated Financial Statements, IFRS 13 – Fair Value Measurements, IAS 28 (2011) – Investments in Associates and Joint Ventures, and IAS 32 – Financial Instruments: Presentation. The impact of the adoption of these standards was not material to the Corporation's consolidated financial statements.

Effective January 1, 2013, the Corporation adopted IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interest in Other Entities. The new disclosure requirements relating to IFRS 11 and 12 are provided in Note 6 and Note 32.

Effective January 1, 2013, the Corporation applied the amendments to IAS 19 (2011) – Post-employment Benefits. At the IAS 19 (2011) transition date, the Corporation's benefit plans do not have non-vested past service costs. The Corporation had previously elected to recognize gains and losses in future years outside profit or loss and record these gains and losses as part of other comprehensive earnings. As a result, the revisions to IAS 19 had no impact on the closing values of the net employee benefits liability recognized on the statement of financial position. However, the amounts recognized in net earnings (loss) and other comprehensive earnings (loss) differ from those presented in the annual consolidated statements of comprehensive earnings (loss) and comprehensive earnings (loss) for the year ended December 31, 2012.

With the retrospective adoption of the amendments to IAS 19 (2011), the Corporation has restated the prior year comparative consolidated statements of earnings (loss) and comprehensive earnings (loss), consolidated statements of changes in equity, and consolidated statements of cash flow. The impact of the amendments is as follows:

(in thousands of Canadian dollars, except per share amounts)		December 31, 2012
Increase in administrative costs	$	(640)
Increase in deferred tax recovery		162
Increase in net loss	$	(478)
Decrease in other comprehensive loss, net of tax	$	478
Increase in basic and diluted loss per share	$	(0.01)

The amount of net cash generated by operating activities in the statement of cash flow for the year ended December 31, 2012 remained the same under both standards. The amendments did not affect the Corporation's consolidated statement of financial position.

(a) Principles of consolidation

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

(i) Business combination

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

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

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

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

(ii) Joint arrangements

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

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

The Corporation's existing joint arrangements were all classified as joint operations and it did not have any joint ventures for the year ended December 31, 2013.

(b) Segment reporting

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

(c) Revenue recognition

(i) Construction contracts

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

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

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

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

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

(ii) Service contracts

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

(iii) Sale of goods

The Corporation recognizes revenue on the supply of ballast inventory when the material is taken by the customer and invoiced. Undelivered ballast is accounted for as inventory on the consolidated statements of financial position. Sale of goods revenue also includes materials that are fabricated to customer specifications under specifically negotiated contracts.

(d) Finance income and finance costs

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

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

(e) Income taxes

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

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

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

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

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

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

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

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

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

(f) Employee benefits

(i) Short-term employee benefits

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

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

(ii) Post-employment benefits

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

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

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

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

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

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

(iii) Share-based payments

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

The fair value of the amount payable to employees and directors in respect of Medium Term Incentive Plans (MTIPs) and Deferred Share Units (DSUs), for which the participants are eligible to receive an equivalent cash value of the common shares at a future date, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees provide the related service and directors become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as compensation expense in profit or loss. Information about vesting conditions for share-based payments is disclosed in Note 27.

(g) Earnings per share

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

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

(h) Financial instruments

Under the Corporation's risk management policy, fuel derivative financial instruments are used only for risk management purposes and not for generating trading profits.

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

(i) Financial assets

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

From time to time, the Corporation will use financial derivatives, which are comprised of contracts where the Corporation pays a fixed price to mitigate floating price risks on notional quantities of refined products.

Derivative instruments are recorded on the consolidated statements of financial position at fair value with both realized and unrealized changes in fair value recognized immediately in other income in the consolidated statements of earnings (loss). These fuel derivative contracts are included in prepaid expenses and trade and other payables based on the terms of the contractual agreements. As at December 31, 2013, the Corporation did not have any outstanding financial derivatives.

All cash flows associated with purchasing derivatives are classified as operating cash flows in the consolidated statements of cash flow.

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

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity financial assets

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

Cash and cash equivalents

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

Loans and receivables

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

Available-for-sale financial assets

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

(ii) Financial liabilities

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

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

The Corporation has the following financial assets and liabilities:

	Classification	Measurement
Financial asset		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Service provider deposit	Available-for-sale	Fair value
Current and long-term receivable	Loans and receivables	Amortized cost
Derivative instruments	Fair value through profit or loss	Fair value
Financial liabilities		
Trade and other payables	Other liabilities	Amortized cost
Current and long-term debt	Other liabilities	Amortized cost
Convertible debentures - liability component	Other liabilities	Amortized cost

(iii) Share capital

Common shares

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

Repurchase of share capital (treasury shares) under normal course issuer bid (NCIB)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Cancelled shares are classified as treasury shares and are presented as a component within total equity. When treasury shares are issued, the amount received is recognized as an increase in equity, and any resulting surplus (deficit) on the transaction is transferred to (from) retained earnings.

Dividend reinvestment plan (DRIP)

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

(iv) Compound financial instruments

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

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

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

(i) Inventory

The Corporation produces ballast through rock crushing services undertaken by Broda Construction Inc. (Broda), a wholly owned subsidiary. Ballast inventory is measured using the lower of cost of production, consisting primarily of equipment costs and labour, and net realizable value. The cost of ballast inventory does not include profit margins or non-attributable overheads. During the year, the Corporation expensed $7,311 (2012 - $7,090) of inventory through contract costs.

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

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

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

(k) Property and equipment

(i) Recognition and measurement

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

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010 are also capitalized as part of property and equipment.

The Corporation recognizes major long-term component spare parts as property and equipment when the parts and equipment are significant and are expected to be used over a period of time greater than a year, or when the part can only be used in connection with an item of property and equipment.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives are as follows:

Asset	**Basis**	**Useful life**
Land improvements	Straight line	30 years
Buildings and improvements	Straight line	10 to 25 years
Leasehold improvements	Straight line	Lesser of estimated useful life or lease term
Construction equipment	Straight line	10 to 20 years
Automotive equipment	Straight line	5 years
Office furniture and equipment	Straight line	3 to 5 years
Computer hardware	Straight line	1 to 3 years
Equipment components	Straight line	1.5 to 3 years

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

(l) Goodwill

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

(m) Intangible assets

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

Asset	**Basis**	**Useful life**
ERP	Straight line	12 years
Backlog and agency contracts	As related revenue is earned	2 to 3 years
Customer relationships	Straight line	5 to 15 years
Tradenames	Straight line	5 to 15 years
Computer software	Straight line	1 year

(n) Impairment

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

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

(o) Assets held-for-sale

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

(p) Provisions

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

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

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

The Corporation has several classes of provisions including:

(i) Warranties

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

(ii) Restructuring

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

(iii) Claims and disputes

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

(iv) Subcontractor default

The Corporation maintains subcontractor default insurance, which provides general contractors with more comprehensive coverage in respect of subcontractor default on projects. The liabilities on the consolidated statements of financial position relate to management's best estimate of exposures and costs associated with prior or existing subcontractor performance and the risk of potential default. Management conducts a thorough review of the liability every reporting period and takes into consideration the Corporation's experience to date with those subcontractors that are enrolled in the program and the changes to factors that tend to affect the construction sector. The current portion of the subcontractor default liability represents the risk related to payments not covered by the insurance deductible.

(q) Leases

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

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

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

(r) Accumulated other comprehensive earnings (loss) and retained earnings

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

4. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

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

(a) IAS 19 (amendments) – *Defined Benefit Plans: Employee Contributions*

On November 21, 2013, the IASB issued narrow scope amendments to IAS 19, *Employee Benefits*, entitled *Amendments to IAS 19, Defined Benefit Plans: Employee Contributions*. The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective for periods beginning on or after July 1, 2014. The Corporation has determined that the amendments will have no impact to the consolidated financial statements as the Corporation's DBs are non-contributory.

(b) IAS 32 - *Financial Instruments: Presentation*

IAS 32, "Financial instruments: presentation" was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Corporation does not expect the impact of this standard to be material to its consolidated financial statements.

(c) IAS 36 (amendments) – *Recoverable Amount Disclosures for Non-Financial Assets*

On May 29, 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These narrow-scope amendments to IAS 36, Impairment of Assets, address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. The Corporation does not expect the impact of this standard to be material to its consolidated financial statements.

(d) IFRS 9 – *Financial Instruments*

IFRS 9, "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and financial liabilities. The IASB tentatively decided to delay the originally planned effective date of January 1, 2015 and at present the effective date has not been determined. The Corporation does not expect the impact of this standard to be material to its consolidated financial statements.

5. SEGMENTS

The Corporation operates as a construction and maintenance services provider, primarily in Western Canada. The Corporation divides its operations into four reporting segments and reports its results under the categories of: General Contracting, Industrial Services, Commercial Systems, and Corporate and Other. The accounting policies and practices for each of the segments are the same as those described in Note 3. Segment capital expenditures are the total cost incurred during the year to acquire property and equipment and intangible assets.

General Contracting - General Contracting consists of Stuart Olson Dominion Construction Ltd. (SODCL). SODCL is headquartered in Calgary, Alberta, and constructs commercial, institutional light-industrial and multi-unit residential buildings and is a general contractor in Western Canada's building markets.

Industrial Services - Industrial Services consists of Churchill Services Group (CSG) and Broda. CSG has three divisions: Laird Electric Inc., Laird Constructors Inc. (collectively, Laird), and Specialty Services.

Laird Electric is headquartered in Edmonton, Alberta and provides electrical, instrumentation and power-line construction and maintenance services to resource and industrial clients, primarily in the oil and gas industry in the Fort McMurray and greater Edmonton regions.

Laird Constructors is headquartered in Sudbury, Ontario and is a multi-trade contractor providing electrical, instrumentation, power-line, mechanical and structural construction and maintenance services to resource and industrial clients, primarily in the mining and power generation industries in Ontario, Manitoba and Saskatchewan.

Specialty Services is headquartered in Edmonton, Alberta and consists of Fuller Austin Inc. and Northern Industrial Insulation Contractors Inc. It serves industrial clients with insulation, asbestos abatement, siding application, heating, ventilation and air conditioning ("HVAC") and plant maintenance services. Its clients are in the oil sands, oil and natural gas, petrochemical, forest products, power utilities and mining industries.

Broda is headquartered in Prince Albert, Saskatchewan, providing aggregate processing, earthwork, civil construction, concrete production and related services to mining and infrastructure organizations, and Canada's two major railway corporations.

Commercial Systems - Commercial Systems consists of Canem and McCaine. Canem, with its head office located in Richmond, B.C., designs, builds, maintains and services electrical and data communication systems for institutional, commercial, light industrial and multi-family residential customers. Its services include the design of electrical distribution systems within a building or complex, procurement and installation of electrical equipment and materials, on-call service for electrical maintenance and troubleshooting, preventative and scheduled maintenance for critical component installations, budgeting and pre-construction services, and management of regional and national contracts for multi-site installations.

Corporate and Other – Corporate and Other include corporate costs not allocated directly to another reporting segment as well as any miscellaneous investments. This segment provides strategic direction, operating advice, financing, infrastructure services and management of public company requirements to each of its business segments.

A significant customer is one that represents greater than 10% or more of contract revenue earned during the year. For the year ended December 31, 2013, revenue from one significant customer in the general contracting segment was $109,841 (2012 – no significant customers).

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

For the year ended December 31, 2013	**General Contracting**	**Industrial Services**	**Commercial Systems**	**Corporate and Other**	**Intersegment Eliminations**	**Total**
Contract revenue	**$ 507,967**	**$ 413,522**	**$ 213,740**	**$ -**	**$ (28,760)**	**$ 1,106,469**
EBITDA [1]	**7,234**	**32,919**	**19,293**	**(19,138)**	**813**	**41,121**
Depreciation and amortization	**3,855**	**8,886**	**1,618**	**7,937**	**211**	**22,507**
Finance costs	**134**	**53**	**-**	**11,389**	**-**	**11,576**
Earnings (loss) before tax	**$ 3,245**	**$ 23,980**	**$ 17,675**	**$ (38,464)**	**$ 602**	**$ 7,038**
Income tax expense						**(1,893)**
Net earnings						**$ 5,145**
Goodwill and intangible assets	**$ 126,165**	**$ 7,822**	**$ 77,404**	**$ 19,435**	**$ -**	**$ 230,826**
Capital and intangible expenditures	**$ 1,556**	**$ 10,922**	**$ 1,097**	**$ 1,140**	**$ -**	**$ 14,715**
Total assets	**$ 323,834**	**$ 172,246**	**$ 126,957**	**$ 404,853**	**$ (333,214)**	**$ 694,676**
Total liabilities	**$ 199,864**	**$ 61,027**	**$ 55,025**	**$ 160,724**	**$ (18,922)**	**$ 457,718**

For the year ended December 31, 2012	General Contracting	Industrial Services	Commercial Systems	Corporate and Other	Intersegment Eliminations	Total
Contract revenue	$ 691,987	$ 383,669	$ 188,152	$ -	$ (41,752)	$ 1,222,056
EBITDA [1] [2] [3]	6,779	30,428	14,018	(17,324)	5,057	38,958
Depreciation and amortization	3,994	7,688	2,503	12,485	500	27,170
Finance costs	44	119	-	11,415	-	11,578
Impairment losses	-	3,010	-	59,412	2,178	64,600
Earnings (loss) before tax [2] [3]	$ 2,741	$ 19,611	$ 11,515	$ (100,636)	$ 2,379	$ (64,390)
Income tax recovery [2]						2,050
Net loss [2]						$ (62,340)
Goodwill and intangible assets	$ 128,309	$ 7,766	$ 81,051	$ 20,585	$ -	$ 237,711
Impairment losses related to each segment	$ -	$ 21,200	$ 43,400	$ -	$ -	$ 64,600
Capital and intangible expenditures	$ 6,841	$ 8,157	$ 974	$ 4,451	$ -	$ 20,423
Total assets	$ 396,356	$ 159,529	$ 106,836	$ 405,759	$ (326,039)	$ 742,441
Total liabilities	$ 268,179	$ 58,341	$ 45,077	$ 158,183	$ (22,489)	$ 507,291

[1] EBITDA represents earnings before interest expense, capital asset amortization and impairment charges, and income taxes.

[2] Restated under IAS 19 (2011). Under the previous IAS 19, EBITDA, loss before tax, income tax recovery, and net loss were $63,750, $1,888, and $61,862, respectively.

[3] Short-term compensation (Note 3(f)(i)) costs have been reclassified between segments in the comparative figures, resulting in an increase in earnings before tax and EBITDA of $687, $1,066, and $1,755 in the General Contracting, Industrial Services, and Commercial Systems segments, respectively; and a corresponding increase in loss before tax and EBITDA of $3,508 in the Corporate and Other segment.

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

6. JOINT ARRANGEMENTS

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

Name of Joint Operation	Principal activity	Place of incorporation or operation	Proportion of ownership interest
Acciona Stuart Olson Joint Venture	Building construction	British Columbia	50%
Stuart Olson/Con-Forte JV Ltd.	Building construction	Alberta	50%
Kwanlin Dun First Nation - Yukon Corrections Institution JV	Building construction	Yukon	90%
Kwanlin Dun First Nation - Whitehorse Cultural Centre JV	Building construction	Yukon	51%
KDM-SOD Joint Venture Inc.	Building construction	Saskatchewan	49%

During the year, the Corporation entered into a joint operation, KDM-SOD Joint Venture Inc., and dissolved the Ninety North Partnership JV.

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

	December 31, 2013	December 31, 2012
Current assets	**$ 3,177**	$ 5,190
Current liabilities	**563**	3,240

	December 31, 2013	December 31, 2012
Contract income	**$ 2,447**	$ 22,787
Contract costs and expenses	**620**	16,240

	December 31, 2013	December 31, 2012
Cash flow (used) provided by operating activities	**$ (168)**	$ 5,329

7. REVENUE

	December 31, 2013	December 31, 2012
Construction contract revenue	**$ 885,112**	$ 1,064,904
Service contract revenue	**205,839**	141,187
Sales of goods	**15,518**	15,965
Total revenue	**$ 1,106,469**	$ 1,222,056

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

8. OTHER INCOME

	December 31, 2013	December 31, 2012
Gain on sale of assets	**$ 56**	$ 2,304
Discounts	**54**	54
Rebates, CRA interest refunds, and Other	**708**	741
Other income	**$ 818**	$ 3,099

9. FINANCE INCOME AND COSTS

The finance income and costs recognized in profit or loss consists of the following:

	December 31, 2013	December 31, 2012
Finance income on loans and receivables	**$ 13**	$ 9
Finance income on cash and cash equivalents	**243**	407
Other	**3**	1
Finance income	**$ 259**	$ 417
Finance costs on revolving credit facility	**$ 2,607**	$ 3,013
Other finance costs	**457**	223
Amortization of deferred financing fees on revolving credit facility	**633**	707
Finance costs on convertible debentures	**5,175**	5,175
Accretion on convertible debentures	**2,082**	1,894
Amortization of deferred financing fees on convertible debentures	**622**	566
Finance costs	**$ 11,576**	$ 11,578

The above finance income and finance costs include the following interest income and expenses in respect of assets and liabilities not at fair value through profit or loss:

Total finance income on financial assets	**$ 259**	$ 417
Total finance costs on financial liabilities	**$ 8,239**	$ 8,411

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

10. DEPRECIATION AND AMORTIZATION

		December 31, 2013		December 31, 2012
Depreciation of property and equipment	$	14,370	$	13,712
Amortization of intangible assets		8,137		13,458
Total depreciation and amortization expense	$	22,507	$	27,170

Of the depreciation of property and equipment during the year ended December 31, 2013, $10,262 (2012 - $9,670) has been included in contract costs and the remainder in administrative costs in the consolidated statements of earnings (loss). Amortization of intangible assets is included in administrative expense in the consolidated statements of earnings (loss).

11. PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

		December 31, 2013		December 31, 2012
Short-term employee benefits	$	407,142	$	377,822
Employee share purchase plan expenses		3,326		4,604
Employee retirement matching contributions		3,032		3,105
Defined benefit and defined contribution pension plan expense (1)		2,083		2,230
Equity-settled share-based payment transactions		1,701		2,192
Cash-settled share-based payment transactions		2,432		1,589
Total personnel expenses and employee benefits	$	419,716	$	391,542

(1) Restated under IAS 19 (2011). Under the previous IAS 19, defined benefit and defined contribution pension plan expense was $1,590.

Of the personnel expenses and employee benefits in the table above, $368,709 was included in contract costs (2012 - $338,170) and $51,007 in administrative costs (restated 2012 - $53,372) for the year ended December 31, 2013.

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

		December 31, 2013		December 31, 2012
Short-term benefits	$	3,578	$	2,847
Share-based payments (1)		2,258		2,167
	$	5,836	$	5,014

(1) Share-based payments include equity-settled and cash-settled share-based payments.

The remuneration of key management is determined by the Human Resources and Compensation Committee of the Board of Directors (HRCC) and recommended to the full Board for approval, considering the performance of individuals, their business units and the Corporation.

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

12. INCOME TAXES

Income tax recognized per consolidated statements of earnings (loss):

	December 31, 2013	December 31, 2012
Current income tax expense		
Current period	**$ (1,709)**	$ (1,773)
Adjustment relating to prior periods	**(512)**	(183)
	(2,221)	(1,956)
Deferred income tax recovery		
Origination and reversal of temporary differences	**(897)**	4,030
Impact of changes in tax rates	**551**	98
Adjustment relating to prior periods	**674**	(36)
Change in unrecognized deductible temporary differences	**-**	(86)
	328	4,006
Income tax (expense) recovery	**$ (1,893)**	$ 2,050

Reconciliation of effective tax rate:

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

	December 31 2013	December 31 2012
Net earnings (loss) before tax	**$ 7,038**	$ (64,390)
Income tax at statutory rate of 25.5% (2012 - 25.4%)	**(1,795)**	16,355
Statutory and other rate differences	**551**	98
Non-taxable accounting income	**7**	614
Non-deductible expenses	**(806)**	(898)
Goodwill impairment	**-**	(13,810)
Change in unrecognized deductible temporary differences	**-**	(86)
Other	**150**	(223)
Income tax (expense) recovery	**$ (1,893)**	$ 2,050

The Corporation's statutory tax rate of 25.5% in 2012 (2012 – 25.4%) is the combined Canadian federal and provincial tax rates in the jurisdictions in which the Corporation operates. The rate increase for 2013 is due to an increased proportion of the year's earnings (loss) in provinces with higher corporate tax rates.

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

The deferred tax asset and liability are comprised of the following:

	December 31, 2013	December 31, 2012
Deferred tax assets		
Tax loss carry forwards	**$ 6,362**	$ 1,386
Equipment and other assets	**(3,371)**	(53)
Intangible assets	**10**	11
Pension and other compensation	**(47)**	1,582
Unrecognized deductible temporary difference	**-**	(348)
Unbilled work-in-progress and holdback receivables	**8,340**	10,782
Provisions	**1,888**	1,867
Other	**699**	156
	13,881	15,383
Deferred tax liabilities		
Tax loss carry forwards	**3,676**	7,444
Equipment and other assets	**(4,543)**	(7,095)
Intangible assets	**(12,564)**	(14,022)
Pension and other compensation	**2,600**	2,065
Unrecognized deductible temporary difference	**(616)**	(272)
Unbilled work-in-progress and holdback receivables	**(17,446)**	(17,710)
Provisions	**641**	1,010
Other	**(394)**	(347)
	(28,646)	(28,927)
Net deferred income tax liability	**$ (14,765)**	$ (13,544)

All deferred tax asset positions recognized by the Corporation are supported by either the reversal of existing taxable temporary differences or forecasted future taxable profits in excess of the deductible temporary difference. The Corporation has unrecognized non-capital loss carryforwards of $1,394 (2012 – $1,394) for which no deferred income tax asset could be recognized, which remain available to reduce future taxable income.

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

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

2013	**Asset (liability) January 1, 2013**	**Recovery (expense) recognized in profit or loss**	**Recovery (expense) recognized in OCI**	**Asset (liability) recognized from held for sale**	**Asset (liability) December 31 2013**
Tax loss carry forwards	**8,830**	**1,208**	**-**	**-**	**10,038**
Equipment and other assets	**(7,148)**	**(766)**	**-**	**-**	**(7,914)**
Intangible assets	**(14,011)**	**1,457**	**-**	**-**	**(12,554)**
Pension and other compensation	**3,647**	**455**	**(1,549)**	**-**	**2,553**
Unrecognized deductible temporary difference	**(620)**	**4**	**-**	**-**	**(616)**
Unbilled work-in-progress and holdback receivables	**(6,928)**	**(2,178)**	**-**	**-**	**(9,106)**
Provisions	**2,877**	**(348)**	**-**	**-**	**2,529**
Other	**(191)**	**496**	**-**	**-**	**305**
	(13,544)	**328**	**(1,549)**	**-**	**(14,765)**

2012	Asset (liability) January 1, 2012	Recovery (expense) recognized in profit or loss	Recovery (expense) recognized in OCI	Asset (liability) recognized as held for sale	Asset (liability) December 31 2012
Tax loss carry forwards	2,990	5,687	-	153	8,830
Equipment and other assets	(8,611)	1,463	-	-	(7,148)
Intangible assets	(16,713)	2,702	-	-	(14,011)
Pension and other compensation	3,762	(1,160)	1,045	-	3,647
Unrecognized deductible temporary difference	(139)	(481)	-	-	(620)
Unbilled work-in-progress and holdback receivables	(3,065)	(3,863)	-	-	(6,928)
Provisions	2,911	(34)	-	-	2,877
Other	117	(308)	-	-	(191)
	(18,748)	4,006	1,045	153	(13,544)

The Corporation has accumulated non-capital losses for income tax purposes of $37,554 (2012 - $33,154) related to continuing operations, which expire as follows:

Accumulated non-capital losses:		
2014	$	203
2025		198
2026		422
2027		417
2028		159
2030		169
2031		6,847
2032		21,245
2033		7,894
	$	**37,554**

13. ASSETS-HELD-FOR-SALE

As at December 31, 2013, the asset held-for-sale of $436 (2012 - $436) consists of agricultural land. This land is available for immediate sale in its present condition and the sale is highly probable.

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

14. EMPLOYEE BENEFITS

(a) Short-term employee benefits

Contributions made by the Corporation during the year ended December 31, 2013 to the ESPP were $3,326 (2012 - $4,604) (Note 11).

(b) Post-employment benefits

Registered Retirement Savings Plan

Contributions made by the Corporation during the year ended December 31, 2013 to the RRSP were $3,032 (2012 - $3,105) (Note 11).

Defined Contribution Pension Plans (DC)

The total expense recognized in the consolidated statements of earnings (loss) and comprehensive earnings (loss) of $429 (2012 – $512) represents contributions paid to these plans by the Corporation at rates specified in the rules of the plans. As at December 31, 2013, contributions of $nil (2012 – $30) were due in respect of the current reporting year and were paid subsequent to the end of the reporting period.

Defined Benefit Pension Plans

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

Future benefits:

		December 31, 2013		December 31, 2012
Wholly or partially funded defined benefit obligation	**$**	**29,618**	$	32,746
Fair value of plan assets		**25,979**		21,926
Recognized liability for defined benefit obligations	**$**	**3,639**	$	10,820

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

Fair market value of plan assets:

		December 31, 2013		December 31, 2012
Equity securities	**$**	**10,667**	$	6,841
Debt securities		**15,312**		11,802
Short-term		**-**		3,283
	$	**25,979**	$	21,926

Reconciliation of amounts in the financial statements:

		December 31, 2013		December 31, 2012
Accrued benefit obligation				
Balance, beginning of year	**$**	**32,746**	$	27,037
Employer current service cost		**980**		1,040
Employee contributions		**158**		139
Interest cost on the defined benefit obligation		**1,269**		1,356
Benefit payments		**(1,281)**		(1,973)
Actuarial (gain) loss due to experience adjustments		**(58)**		-
Actuarial (gain) loss due to changes in financial assumptions		**(4,196)**		5,147
Balance, end of year	**$**	**29,618**	$	32,746

		December 31, 2013		December 31, 2012
Fair value of plan assets				
Balance, beginning of year	**$**	**21,926**	$	18,722
Employer contributions		**2,756**		3,405
Employee contributions		**159**		83
Interest income on plan assets		**864**		972
Actuarial gain on plan assets, excluding interest income		**1,843**		1,009
Benefit payments		**(1,281)**		(1,973)
Administration costs		**(288)**		(292)
Balance, end of year	**$**	**25,979**	$	21,926

		December 31, 2013		December 31, 2012
Net pension liability	**$**	**3,639**	$	10,820
Funded status - deficit	**$**	**3,639**	$	10,820

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

For the year ended December 31, 2013, an amount of $1,673 (restated 2012 - $1,716) was recorded in administrative costs in net earnings (loss), and a gain of $6,097 (restated 2012 – loss of $4,138), before tax, was recorded in other comprehensive earnings (loss) in relation to defined benefit plans. This gain relates to an increase in the discount rates and a change in the market value of the assets, which are both as at December 31, 2013.

Actuarial assumptions:

	December 31, 2013	December 31, 2012
Discount rate on net benefit obligations	**4.7%**	3.8%
Rate of compensation increase	**3.5%**	3.5%
Inflation rate	**2.3%**	2.3%

The discount rate used to establish the pension obligation is based on AA-rated Canadian corporate bonds yields at the measurement date. A change of 100 basis points in the discount rate at the reporting date would have increased or decreased the accrued benefit obligation by $777.

15. EARNINGS PER SHARE

(a) Basic earnings per share

		December 31, 2013		December 31, 2012 [1]
Net earnings (loss) attributable to common shareholders (basic)	**$**	**5,145**	$	(62,340)
Issued common shares at beginning of year		**24,493,462**		24,300,019
Effect of shares repurchased under NCIB		**-**		(35,110)
Effect of shares issued related to DRIP		**125,009**		138,065
Effect of shares issued on exercise of stock options		**23,471**		-
Weighted average number of common shares for the year		**24,641,942**		24,402,974
Basic earnings (loss) per share	**$**	**0.21**	$	(2.55)

[1] Restated under IAS 19 (2011). Under the previous IAS 19, loss from continuing operations attributable to common shareholders and basic loss per share for the year ended December 31, 2012 was $61,862 and $2.54, respectively.

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

(b) Diluted earnings per share

	December 31, 2013	December 31, 2012 [1]
Net earnings (loss) attributable to common shareholders (diluted)	**$ 5,145**	$ (62,340)
Weighted average number of common shares (basic)	**24,641,942**	24,402,974
Incremental shares - stock options	**73,713**	-
Weighted average number of common shares for the year (diluted)	**24,715,655**	24,402,974
Diluted earnings (loss) per share	**$ 0.21**	$ (2.55)

[1] Restated under IAS 19 (2011). Under the previous IAS 19, loss from continuing operations attributable to common shareholders and diluted loss per share for the year ended December 31, 2012 was $61,862 and $2.54, respectively.

For the year ended December 31, 2013, the number of options excluded from the diluted weighted average number of common share calculations was 1,042,679 (2012 – 1,379,981), as their effect would have been anti-dilutive. There were no incremental shares related to the convertible debentures included in the weighted average calculation at December 31, 2013 as the impact of the normalization of earnings (interest, accretion and amortization add-back) outweighed the effect of the related incremental shares and therefore the convertible debentures were anti-dilutive.

The incremental shares included in the dilutive weighted average number of shares have been determined using the Corporation's weighted average share price for the year ended December 31, 2013.

16. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
Cash	**$ 36,236**	$ 33,774

Included in the cash and cash equivalents balance is $2,979 (2012 - $4,205) held in joint operations bank accounts.

17. TRADE AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012
Trade receivables	**$ 201,742**	$ 215,746
Construction holdbacks, due within one business cycle	**62,123**	92,308
Other receivables	**(1,029)**	1,043
	$ 262,836	$ 309,097

The average credit period is 42 days for maintenance contracts and 55 days for significant construction contracts. Other receivables include the Corporation's allowance for doubtful accounts.

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

At December 31, 2013, holdbacks of $62,123 (2012 - $92,308) are recoverable within the normal operating cycle of the Corporation ranging from 30 days to three years, depending on the nature of services being provided. The range is dependent on the type of project and duration of the work.

18. CONSTRUCTION AND NON-CONSTRUCTION CONTRACTS

Contracts in progress:

		December 31, 2013		December 31, 2012
Construction costs incurred plus recognized profits less recognized losses to date	**$**	**4,514,572**	$	4,698,839
Less: progress billings		**(4,557,358)**		(4,752,342)
Net over billings on construction contracts		**(42,786)**		(53,503)
Non-construction costs incurred plus recognized profits less recognized losses to date	**$**	**307,355**	$	254,061
Less: progress billings		**(296,822)**		(244,048)
Net under billings on non-construction contracts		**10,533**		10,013
Total net contract position	**$**	**(32,253)**	$	(43,490)

Recognized and included in the consolidated statements of financial position as amounts due:

		December 31, 2013		December 31, 2012
Costs in excess of billings - Construction contracts	**$**	**37,918**	$	28,978
Costs in excess of billings - Non-construction contracts		**10,537**		10,122
Total costs in excess of billings		**48,455**		39,100
Contract advances and unearned income - Construction contracts	**$**	**(80,691)**	$	(82,483)
Contract advances and unearned income - Non-construction contracts		**(17)**		(107)
Total contract advances and unearned income		**(80,708)**		(82,590)
Total net contract position	**$**	**(32,253)**	$	(43,490)

At December 31, 2013, retentions held by customers for contract work amounted to $62,123 (2012 - $98,439). Advances received from customers for contract work amounted to $80,708 (2012 - $71,536).

19. SERVICE PROVIDER DEPOSIT

Service provider deposit relates to the General Contracting segment's Subguard program representing an agreement with Zurich Insurance Corporation (Zurich) that establishes a pre-funded deductible/co-pay insurance program. The funds held by Zurich as at December 31, 2013, amounted to $6,157 (2012 - $4,008) and are presented as service provider deposit on the consolidated statements of financial position.

This deposit is classified as non-current as management does not anticipate any claim payments exceeding the deductible amounts within the next twelve months.

20. PROPERTY AND EQUIPMENT

Included in construction and automotive equipment is $4,742 (2012 - $988) of assets relating to finance leases and $582 (2012 - $160) of accumulated depreciation, for a net carrying value of $4,160 (2012 - $828).

Included in office furniture and equipment is $61 (2012 - $61) of assets relating to finance leases and $55 (2012 - $43) of accumulated depreciation, for a net carrying value of $6 (2012 - $18).

There were no assets related to finance leases recorded in leasehold improvements in the years ended December 31, 2013 and 2012.

Assets with a carrying value of $4,166 (2012 - $846) are pledged as security for the finance lease obligations disclosed in Note 25(c).

The Corporation did not record impairment losses during the year ended December 31, 2013 (2012 - $5,219 related to construction and automotive equipment).

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

2013	**Land and Improvements**	**Buildings and Improvements**	**Leasehold Improvements**	**Construction and Automotive Equipment**	**Computer Hardware**	**Office Furniture and Equipment**	**Assets Under Construction**	**Total**
Cost								
Balance as at December 31, 2012	**$ 301**	**$ 3,216**	**$ 13,847**	**$ 91,724**	**$ 6,193**	**$ 4,492**	**$ 3,318**	**$ 123,091**
Additions, including finance leases	**-**	**127**	**2,358**	**9,617**	**446**	**1,004**	**67**	**13,619**
Disposal	**-**	**(105)**	**(124)**	**(2,565)**	**(533)**	**(153)**	**-**	**(3,480)**
Reclassifications and transfers	**-**	**-**	**2,548**	**-**	**6**	**111**	**(2,833)**	**(168)**
Balance at December 31, 2013	**$ 301**	**$ 3,238**	**$ 18,629**	**$ 98,776**	**$ 6,112**	**$ 5,454**	**$ 552**	**$ 133,062**
Accumulated Depreciation and impairment losses								
Balance as at December 31, 2012	**$ -**	**$ 1,533**	**$ 3,543**	**$ 32,782**	**$ 4,989**	**$ 2,463**	**$ -**	**$ 45,310**
Depreciation expense	**-**	**19**	**2,528**	**10,239**	**736**	**848**	**-**	**14,370**
Disposal of assets	**-**	**(2)**	**(46)**	**(2,253)**	**(533)**	**(116)**	**-**	**(2,950)**
Reclassifications and transfers	**-**	**-**	**-**	**-**	**(9)**	**-**	**-**	**(9)**
Balance at December 31, 2013	**$ -**	**$ 1,550**	**$ 6,025**	**$ 40,768**	**$ 5,183**	**$ 3,195**	**$ -**	**$ 56,721**
Carrying amounts at December 31, 2013	**$ 301**	**$ 1,688**	**$ 12,604**	**$ 58,008**	**$ 929**	**$ 2,259**	**$ 552**	**$ 76,341**

2012	Land and Improvements	Buildings and Improvements	Leasehold Improvements	Construction and Automotive Equipment	Computer Hardware	Office Furniture and Equipment	Assets under Construction	Total
Cost								
Balance as at December 31, 2011	$ 1,165	$ 4,835	$ 8,301	$ 84,581	$ 6,478	$ 4,174	$ 4,231	$ 113,765
Additions, including finance leases	-	-	3,005	9,083	654	689	2,794	16,225
Disposal	(864)	(1,619)	(1,166)	(1,940)	(939)	(371)	-	(6,899)
Reclassifications and transfers	-	-	3,707	-	-	-	(3,707)	-
Balance at December 31, 2012	$ 301	$ 3,216	$ 13,847	$ 91,724	$ 6,193	$ 4,492	$ 3,318	$ 123,091
Accumulated Depreciation and impairment losses								
Balance as at December 31, 2011	$ -	$ 3,130	$ 2,429	$ 18,943	$ 4,618	$ 2,120	$ -	$ 31,240
Depreciation expense	-	22	2,025	9,846	1,139	680	-	13,712
Disposal of assets	-	(1,619)	(911)	(1,226)	(768)	(337)	-	(4,861)
Impairment losses	-	-	-	5,219	-	-	-	5,219
Balance at December 31, 2012	$ -	$ 1,533	$ 3,543	$ 32,782	$ 4,989	$ 2,463	$ -	$ 45,310
Carrying amounts at December 31, 2012	$ 301	$ 1,683	$ 10,304	$ 58,942	$ 1,204	$ 2,029	$ 3,318	$ 77,781

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

21. GOODWILL

		December 31, 2013		December 31, 2012
Goodwill, beginning of the year	**$**	**179,016**	$	234,256
Impairment losses recognized in the year		**-**		(55,240)
	$	**179,016**	$	179,016

Goodwill arose during multiple past acquisitions. Goodwill associated with the SODCL, Broda and Canem CGUs arose from the Seacliff acquisition in 2010. Additional goodwill was attributed to the Canem CGU through the McCaine acquisition in 2011. CSG's goodwill stems from the Laird acquisition of 2003. Goodwill recognized on all of these acquisitions was attributable mainly to the synergies achieved from the integration of acquired companies into existing construction, commercial and industrial services.

The Corporation has allocated its goodwill to its CGUs as follows:

		December 31, 2013		December 31, 2012
SODCL	**$**	**114,078**	$	114,078
CSG		**7,315**		7,315
Canem		**57,623**		57,623
	$	**179,016**	$	179,016

During the fourth quarter, the Corporation performed its annual goodwill impairment test. The calculated Business Enterprise Value for each of the CGUs incorporated the financial projections set out in the respective CGU's strategic plans. The annual impairment review resulted in no impairment charge in the current year. In 2012, the financial projections of the Broda CGU and Canem CGU reflected lower future EBITDA than previous projections as a result of current economic conditions impacting revenues and margins, which resulted in an impairment loss of $64,600 on the statement of comprehensive earnings (loss) comprised of $55,240 of non-cash goodwill impairment, $5,219 of property and equipment impairment (Note 20), and $4,141 of intangible asset impairment (Note 22) in the prior year.

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

Key Assumptions

The key assumptions in the value in use calculations to determine the recoverable amounts by CGU have been prepared using a five year discounted cash flow analysis with a terminal value. The financial projections used for the discounted cash flow analysis were derived from the Corporation's 2013 Strategic Plan.

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

The terminal value was calculated using a discount rate of 12% (2012 – 12%) and a steady annual growth of 2.0% (2012 – 1.5%) in the terminal year. The same discount rate was used in each of the Corporation's CGUs given that each entity has access to the same source of debt and each CGU is ultimately governed by management at the parent Company. In addition, entity specific risks were separately factored into each CGU forecast. They take into consideration market rates of return, capital structure, company size, industry risk and after-tax cost of debt and equity.

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

22. INTANGIBLE ASSETS

Included in computer software is $75 (2012 - $nil) of assets relating to finance leases and $25 (2012 - $nil) of accumulated depreciation, for a net carrying value of $50 (2012 - $nil).

Assets with a carrying value of $50 (2012 - $nil) are pledged as security for the finance lease obligations disclosed in Note 25(c).

The Corporation did not record any impairment losses during the year ended December 31, 2013 (2012 - $4,141 related to customer relationships and tradename).

2013	**ERP assets**	**Backlog and Agency Contracts**	**Customer Relationships and Tradename**	**Computer Software**	**Total**
Cost					
Balance, December 31, 2012	$ 24,186	$ 20,600	$ 54,423	$ 3,946	$ 103,155
Additions - externally acquired	722	-	-	374	1,096
Disposals	-	-	-	(3)	(3)
Reclassifications and transfers	-	-	-	168	168
Balance, December 31, 2013	$ 24,908	$ 20,600	$ 54,423	$ 4,485	$ 104,416
Accumulated amortization					
Balance, December 31, 2012	$ 2,990	$ 20,020	$ 17,711	$ 3,739	$ 44,460
Amortization expense	2,090	580	5,238	229	8,137
Reclassifications and transfers	-	-	-	9	9
Balance, December 31, 2013	$ 5,080	$ 20,600	$ 22,949	$ 3,977	$ 52,606
Carrying amounts, December 31, 2013	**$ 19,828**	**$ -**	**$ 31,474**	**$ 508**	**$ 51,810**

2012	ERP assets	Backlog and Agency Contracts	Customer Relationships and Tradename	Computer Software	Total
Cost					
Balance, December 31, 2011	$ 20,342	$ 20,600	$ 54,410	$ 3,605	$ 98,957
Additions - externally acquired	3,844	-	13	341	4,198
Balance, December 31, 2012	$ 24,186	$ 20,600	$ 54,423	$ 3,946	$ 103,155
Accumulated amortization					
Balance, December 31, 2011	$ 1,249	$ 14,252	$ 8,074	$ 3,286	$ 26,861
Amortization expense	1,741	5,768	5,496	453	13,458
Impairment losses recognized in the year	-	-	4,141	-	4,141
Balance, December 31, 2012	$ 2,990	$ 20,020	$ 17,711	$ 3,739	$ 44,460
Carrying amounts, December 31, 2012	$ 21,196	$ 580	$ 36,712	$ 207	$ 58,695

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

23. TRADE AND OTHER PAYABLES

		December 31, 2013		December 31, 2012
Trade payables	**$**	**115,730**	$	133,210
Holdbacks and accrued liabilities		**51,739**		81,914
Short-term employee benefits		**15,724**		12,125
Dividend payable		**2,976**		2,940
Due to related parties		**29**		29
Other		**4,165**		3,224
	$	**190,363**	$	233,442

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 30 - Financial Instruments.

24. PROVISIONS

Provisions are recognized when the Corporation has a settlement amount as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate of the obligation can be made. Reversals of provisions are made when new information arises in the year.

		Warranties		**Restructuring costs**		**Claims and disputes**		**Subcontractor default**		**Acquisition purchase price provision**		**Total**
Balance as December 31, 2011	$	5,823	$	1,602	$	2,961	$	2,461	$	322	$	13,169
Provisions made during the year		3,006		150		2,212		3,309		-		8,677
Provisions used during the year		(524)		(1,116)		(729)		(798)		-		(3,167)
Provisions reversed in the year		(4,102)		-		(856)		(2,500)		(322)		(7,780)
Balance at December 31, 2012	$	4,203	$	636	$	3,588	$	2,472	$	-	$	10,899
Balance at December 31, 2012	$	4,203	$	636	$	3,588	$	2,472	$	-	**$**	**10,899**
Provisions made during the year		3,058		-		4,802		2,791		-		**10,651**
Provisions used during the year		(580)		(115)		(5,780)		(1,723)		-		**(8,198)**
Provisions reversed in the year		(3,614)		(150)		(709)		-		-		**(4,473)**
Balance at December 31, 2013	**$**	**3,067**	**$**	**371**	**$**	**1,901**	**$**	**3,540**	**$**	**-**	**$**	**8,879**

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

		December 31, 2013		December 31, 2012
Current portion of provisions	**$**	**3,987**	$	6,492
Long-term provisions		**4,892**		4,407
Total provisions	**$**	**8,879**	$	10,899

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

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

Expected outflow of resources	Warranties	Restructuring costs	Claims and disputes	Subcontractor default	Total
2014	$ 3,067	$ 177	$ 743	$ -	$ 3,987
2015	-	166	794	-	960
2016	-	28	364	-	392
2017	-	-	-	-	-
2018	-	-	-	-	-
Thereafter	-	-	-	3,540	3,540
	$ 3,067	$ 371	$ 1,901	$ 3,540	$ 8,879

The following table represents the outflow of resources on a discounted basis using a rate between 0.98% to 1.98%:

Expected outflow of resources (DISCOUNTED)	Warranties	Restructuring costs	Claims and disputes	Subcontractor default	Total
2014	$ 3,037	$ 175	$ 736	$ -	$ 3,948
2015	-	163	779	-	942
2016	-	27	354	-	381
2017	-	-	-	-	-
2018	-	-	-	-	-
Thereafter	-	-	-	2,910	2,910
	$ 3,037	$ 365	$ 1,869	$ 2,910	$ 8,181

25. LONG-TERM DEBT

	December 31, 2013	December 31, 2012
Current portion of long-term debt		
Finance contracts	**$ 97**	$ -
Finance lease obligations	**2,462**	828
	$ 2,559	$ 828
Non-current		
Revolving credit facility	**$ 49,320**	$ 51,596
Finance contracts	**291**	-
Finance lease obligations	**724**	313
	$ 50,335	$ 51,909

(a) Revolving credit facility

On July 12, 2010, the Corporation obtained a $200,000, senior secured revolving credit facility with a syndicate of chartered banks. On July 12, 2013, the Corporation renewed its credit facility with the same syndicate of lenders, and the credit facility continues to include a $75,000 accordion feature. The one-year extension of the credit facility results in a new maturity date of July 12, 2017.

During the 90 day period before each anniversary date, the Corporation may extend the credit facility for an additional year. As such, there is no current portion of long-term debt related to the credit facility. The credit facility is supported by a comprehensive security package that includes all present and after acquired assets of the Corporation. Interest is charged at a rate per annum equal to the Canadian prime rate, LIBOR rate or Bankers' Acceptance rate as applicable and in effect during the interest period, plus additional interest based on a pricing rate schedule. The additional interest per the pricing rate schedule depends upon the Debt to EBITDA ratio and ranges from a low of 75 basis points for Canadian prime rate loans to a high of 300 basis points for LIBOR and Bankers' Acceptances. The credit facility contains provisions for stamping fees on Bankers' Acceptances and LIBOR loans, and standby fees on unutilized credit lines that vary depending on certain consolidated financial ratios.

Included as part of the credit facility is a swingline loan of $15,000 that entitles the Corporation to enter into an overdraft position. This drawdown must be repaid within seven days of the drawdown date and is therefore classified as current. At December 31, 2013, there was no drawdown on the swingline.

Total finance costs on the credit facility for the year ended December 31, 2013 were $3,240 (2012 – $3,720). These finance costs represent the interest paid on the debt and amortization of the deferred financing charges of $633 for the year ended December 31, 2013 (2012 – $707) (Note 9).

(b) Finance contracts

The finance contracts relate to construction equipment that mature on January 2018 and bear an interest rate of 0.0%, with a weighted average effective interest rate on the contract of 0.0% per annum. Finance contracts are secured by various construction and automotive equipment with a carrying value of $441. The Corporation did not hold any finance contracts in 2012.

(c) Finance lease obligations

Finance leases relate to construction, automotive, and office equipment that mature between January 2014 and December 2016 and bear interest at rates between 0.0% and 7.4%, with a weighted average effective interest rate on the contracts of 2.0% per annum (2012 – 3.5%). The Corporation has the option to purchase the equipment under lease at the conclusion of the lease agreements. Finance lease obligations are secured by construction and automotive equipment with a net book value of $4,216 (2012 - $846) and the lessors' title to the leased asset (Note 20 and 22).

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

	Future Minimum Lease Payments		Present Value of Minimum Lease Payments	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Not later than one year	**$ 2,688**	$ 853	**$ 2,636**	$ 828
More than 1 year but not later than 5 years	**1,019**	323	**978**	313
	$ 3,707	$ 1,176	**$ 3,614**	$ 1,141

	Interest	
	December 31, 2013	December 31, 2012
Not later than one year	**$ 52**	$ 25
More than 1 year but not later than 5 years	**41**	10
	$ 93	$ 35

26. CONVERTIBLE DEBENTURES

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

The maturity date of the debentures is June 30, 2015. The debentures bear interest at an annual rate of 6% payable in equal installments semi-annually in arrears on December 31 and June 30 in each year, commencing December 31, 2010. Each debenture is convertible into common shares of the Corporation at the option of the holder at any time after July 13, 2010 and prior to the earlier of the maturity date and the date of redemption of the debenture, at an initial conversion price of $22.75 per common share, or a conversion rate of approximately 43.956 common shares per one thousand dollar principal amount of debentures. The Corporation has reserved 3,791,205 common shares for issuance upon conversion of the debentures.

From June 30, 2013 and at any time prior to the final maturity date, the Corporation may, at its discretion, redeem the debentures, in whole or in part from time to time, provided that the current market price is at least 125% of the conversion price or $28.44 per common share, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Corporation may, at its discretion, elect to satisfy its obligation to pay the principal amount of the debentures by issuing and delivering common shares. The Corporation may also elect to satisfy its obligation to pay interest on the debentures by delivering common shares. The number of any shares issued will be determined based on market prices at the time of issuance. In the event of a change of control, the Corporation shall be required to offer to purchase all of the outstanding debentures on the date that is 30 business days after the date that such offer is delivered, at a purchase price equal to 100% of the principal amount of the debentures plus accrued and unpaid interest to the purchase date.

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

The Corporation presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the debentures, the Corporation recorded a liability of $76,250, less related offering costs of $2,945. Total finance costs for the year ended December 31, 2013, on $86,250 of debentures were $7,879 (2012 - $7,635). These finance costs represent the 6% coupon on the debentures, accretion related to the portion of the debentures recorded in equity and amortization of deferred financing charges calculated using the effective interest method (Note 9). The residual amount of the equity component at the time of issuance was $10,000 and is included in equity, net of its pro rata share of financing charges and deferred income tax amounts due to the difference between the accounting and tax basis of the liability portion.

		December 31, 2013		December 31, 2012
Principal amount - debt component	**$**	**79,151**	$	76,691
Accretion on convertible debentures		**2,082**		1,894
Amortization of deferred financing fees		**622**		566
Balance at the end of the year	**$**	**81,855**	$	79,151
Principal amount - equity component, end of the year	**$**	**7,100**	$	7,100

27. SHARE-BASED PAYMENTS

(a) Description of share-based payment arrangements

As at December 31, 2013, the Corporation has the following share-based payment arrangements:

(i) Stock options

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

(ii) Medium Term Incentive Plan (MTIP)

In April 2013, the Corporation issued three types of medium term share-based awards. These awards were issued substantially in accordance with the Amended 2008 Executive Share Unit Plan and are classified as Bridging Restricted Share Units (BRSU), Restricted Share Units (RSU) and Performance Share Units (PSU).

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

RSUs are units that track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years.

PSUs are units that track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years, subject to certain performance criteria. The Corporation has set the PSU performance criteria as comparative Total Shareholder Return (TSR) relative to a competitive group. When each grant vests at three years, the payout can be 0% to 200% of the vested units, depending on the Corporation's relative positioning of TSR at December 31st, just prior to the end of the three year period. Each grant of PSUs is individually evaluated regularly with regard to vesting and payout assumptions.

The Corporation will settle the PSUs in cash within 90 days after actual results are determined and reported. The original cost of the PSU is equal to the fair market value at the date of grant. Changes in the amount of the liability due to fair value changes after the initial grant date at each reporting period are recognized as a compensation expense of the period in which the changes occur.

(iii) Deferred share units (DSUs)

The Corporation has a DSU plan under which plan participants may invest up to 100% of their annual remuneration (employees and non-employee Directors), retainer and meeting fees (non-employee Directors), or the Corporation's cash bonus plan (employees). As of January 1, 2013, employees were no longer able to contribute under the DSU plan. DSUs are phantom shares which provide the holder with the right to receive a cash payment equal to the five-day weighted average of the value of the common shares at the payout date. DSUs are cash settled only when an employee or Director ceases to be an employee or Director. The terms of the plan allow for discretionary grants by the Board of Directors. Discretionary grants vest immediately. As DSUs are awarded, a liability is established and compensation expense is recognized in earnings upon grant. Changes in the amount of the liability due to fair value changes after the initial grant date are recognized as a compensation expense in the period in which the changes occur. DSUs are also adjusted for corporate dividends as they are paid.

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

(b) Terms and conditions for stock-based payment arrangements

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

Option series	Options Outstanding	Expiry Date	Exercise Price	Fair Value At Grant Date	Options Exercisable
Issued on March 25, 2009	75,182	24-Mar-14	8.08	3.89	75,182
Issued on July 10, 2009	1,978	09-Jul-14	10.68	5.21	1,978
Issued on August 21, 2009	86,858	24-Mar-14	13.15	6.50	86,858
Issued on March 22, 2010	107,427	21-Mar-15	19.63	7.62	107,427
Issued on July 20, 2010	65,000	19-Jul-15	18.34	8.96	65,000
Issued on December 10, 2010	15,000	09-Dec-15	17.60	8.12	15,000
Issued on March 22, 2011	226,286	21-Mar-16	19.32	7.59	150,857
Issued on September 12, 2011	9,000	11-Sep-16	14.32	5.47	6,000
Issued on December 13, 2011	30,000	12-Dec-16	10.46	3.63	20,000
Issued on March 15, 2012	382,136	15-Mar-17	15.48	5.03	127,379
Issued on August 17, 2012	115,740	17-Aug-17	8.19	2.16	38,580
Issued on January 2, 2013	33,524	02-Jan-18	8.64	2.30	-
Issued on February 8, 2013	85,470	08-Feb-18	8.75	2.34	-
Issued on April 1, 2013	604,516	01-Apr-23	7.50	2.52	-
As at December 31, 2013	1,838,117				694,261

The terms and conditions related to the grants of the BRSUs are as follows:

	Outstanding Units	Vesting Date	Fair Value At Grant Date
Issued April 1, 2013	52,496	01-Apr-14	7.50
Issued April 1, 2013	78,744	01-Apr-15	7.50
Issued April 1, 2013	131,241	01-Apr-16	7.50
As at December 31, 2013	262,481		

The terms and conditions related to the grants of the RSUs are as follows:

	Outstanding Units	Vesting Date	Fair Value At Grant Date
Issued April 1, 2013	146,742	01-Apr-16	7.50
As at December 31, 2013	146,742		

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

The terms and conditions related to the grants of the PSUs are as follows:

	Outstanding Units	Vesting Date	Fair Value At Grant Date
Issued March 22, 2011	64,907	22-Mar-14	19.32
Issued March 19, 2012	146,856	19-Mar-15	15.48
Issued April 1, 2013	291,210	01-Apr-16	7.50
As at December 31, 2013	502,973		

(c) Stock options

Movement during the years

	December 31, 2013			December 31, 2012		
	Number of Stock Options		**Weighted Average Exercise Price**	Number of Stock Options		Weighted Average Exercise Price
Outstanding, beginning of the year	**1,379,981**	**$**	**14.76**	1,542,783	$	14.34
Granted	**756,719**		**7.69**	630,161		14.14
Forfeited	**(65,629)**		**11.30**	(513,187)		16.00
Exercised	**(94,481)**		**6.52**	-		-
Surrendered	**-**		**-**	(242,776)		7.32
Expired	**(138,473)**		**16.22**	(37,000)		18.26
Outstanding, end of year	**1,838,117**	**$**	**12.29**	1,379,981	$	14.76

The options outstanding at December 31, 2013 have an exercise price in the range of $7.50 to $19.63 (2012 - $6.43 to $19.63) and lives of 5 and 10 years (2012 - 5 years). The options granted on April 1, 2013 differ from previous grants in that they have a contractual life of 10 years.

The share prices of options exercised during the year are as follows

Option series	Number exercised	Exercise date		Share price at exercise date
Issued on November 19, 2008	68,843	17-Sep-13	$	9.75
Issued on November 19, 2008	20,653	07-Nov-13		9.44
Issued on March 24, 2009	4,985	18-Dec-13		9.00

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

Inputs for measurement of grant date fair value

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

Option Series	Weighted average share price	Exercise price	Expected volatility	Option life	Dividend yield	Risk-free interest rate	Forfeiture rate
Issued on March 15, 2012	15.48	15.48	50.32%	5	3.0%	1.50%	5%
Issued on August 17, 2012	8.19	8.19	50.85%	5	5.9%	1.40%	5%
Issued on January 2, 2013	8.64	8.64	45.68%	5	4.2%	1.34%	7%
Issued on February 8, 2013	8.75	8.75	46.21%	5	4.3%	1.31%	7%
Issued April 1, 2013	7.50	7.50	53.55%	10	4.7%	1.51%	6%

Compensation costs are recognized over the vesting period as stock-based compensation expense and an increase to the share-based payment reserve. When options are exercised, the fair value amount in the share-based payment reserve is credited to share capital. During the year, 94,481 stock options were exercised at a weighted average price of $6.52.

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

	December 31, 2013	December 31, 2012
Balance, beginning of the year	**$ 7,171**	$ 7,636
Stock compensation expense	**1,701**	2,192
Stock options exercised	**(278)**	-
Stock options forfeited	**-**	(1,795)
Stock options surrendered	**-**	(862)
Balance, end of year	**$ 8,594**	$ 7,171

(d) Medium Term Incentive Plan (MTIP)

(i) BRSUs

Movement during the years

Number of BRSUs	**December 31, 2013**	December 31, 2012
Outstanding, beginning of the year	**-**	-
Granted	**295,109**	-
Forfeited	**(17,764)**	-
Vested	**(5,130)**	-
Vested and paid	**(9,734)**	-
Outstanding, end of year	**262,481**	-

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

(ii) RSUs

Movement during the years

Number of RSUs	December 31, 2013	December 31, 2012
Outstanding, beginning of the year	-	-
Granted	164,792	-
Forfeited	(10,388)	-
Vested and paid	(7,662)	-
Outstanding, end of year	146,742	-

(iii) PSUs

Movement during the years

Number of PSUs	December 31, 2013	December 31, 2012
Outstanding, beginning of the year	279,447	340,055
Granted	318,002	196,785
Forfeited	(19,512)	(82,267)
Vested	(10,285)	-
Vested and paid	(64,679)	(175,126)
Outstanding, end of year	502,973	279,447

(e) Deferred share units (DSU)

Movement during the years

Number of DSUs	December 31, 2013	December 31, 2012
Outstanding, beginning of the year	407,575	165,434
Granted	121,990	242,921
Cancelled	(14,407)	-
Settled	(151,608)	(780)
Vested	(32,770)	-
Outstanding, end of year	330,780	407,575

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

(f) Stock-based payment liability

	December 31, 2013	December 31, 2012
Carrying amount of liabilities for cash-settled arrangements		
- current portion	**$ 556**	$ 53
- long-term portion	**5,911**	3,734
Total carrying amount	**$ 6,467**	$ 3,787
Total intrinsic value of liability for vested benefits	**$ 3,480**	$ 2,274

Included in trade and other payables in the consolidated statements of financial position is the current portion of the MTIPs to be paid out within the next twelve months. The long-term portion of MTIPs and DSUs of $5,911 at December 31, 2013 (2012 – $3,374) is classified as share-based payments. The total intrinsic value reflects all of the outstanding DSUs and vested MTIPs as at December 31, 2013.

(g) Stock compensation expense

	December 31, 2013	December 31, 2012
Stock compensation expense on stock options	**$ 1,701**	$ 2,192
Effects of changes in fair value and grants for MTIPs	**2,432**	1,589
Effects of changes in fair value and grants for DSUs	**1,588**	897
	$ 5,721	$ 4,678

28. SHARE CAPITAL

(a) Common shares and preferred shares

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

	December 31, 2013		December 31, 2012	
	Shares	**Share Capital**	Shares	Share Capital
Common Shares				
Issued, beginning of year	**24,493,462**	**$ 126,602**	24,300,019	$ 124,290
Dividend reinvestment plan	**209,220**	**1,638**	230,882	2,503
Repurchased in the year	**-**	**-**	(37,439)	(191)
Issued in the year	**94,481**	**894**	-	-
Issued, end of year	**24,797,163**	**$ 129,134**	24,493,462	$ 126,602

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

(b) Common shares and dividends

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

The Corporation declared its eleventh quarterly dividend of $0.12 per share, which was paid on January 14, 2014 to shareholders of record on December 31, 2013.

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

As at December 31, 2013, trade and other payables includes $2,976 (2012 - $2,940) related to the dividend payable on January 14, 2014, of which $425 (2012 - $437) is to be reinvested in common shares under the DRIP and the remainder paid in cash.

	December 31, 2013		December 31, 2012	
	Per Share	**Total**	Per Share	Total
Dividend payable, beginning of year	**$ 0.12**	**$ 2,940**	$ 0.12	$ 2,923
Total dividends declared during the year	**0.48**	**11,840**	0.48	11,718
Total dividends paid during the year [1]	**(0.48)**	**(11,804)**	(0.48)	(11,701)
Dividend payable, end of year	**$ 0.12**	**$ 2,976**	$ 0.12	$ 2,940

[1] Includes DRIP non-cash payments totaling $1,638 (December 31, 2012 - $2,503) which are recorded through share capital.

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

(c) Preferred share reserve

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

The preferred shares of each series are entitled to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, rank on parity with the preferred shares of every other series and are entitled to preference over the common shares and over other shares of the Corporation ranking junior to the preferred shares.

If any cumulative dividends or amounts payable on the return of capital in respect of a series of preferred shares are not paid in full, all series of preferred shares shall participate ratably in respect of accumulated dividends and return of capital.

Unless otherwise determined by the Directors in the articles of amendment designating a series of preferred shares, the holder of each share of a series of preferred shares shall not be entitled to receive notice of or vote at any meeting of shareholders.

The preferred share reserve included in the statements of changes in equity arose in 1997 when the Corporation acquired and cancelled all of its issued Series A first and second preferred shares. Accumulated dividend entitlements were eliminated by the cancellation of the shares.

(d) Normal course issuer bid (NCIB)

The Corporation did not conduct a NCIB in 2013.

On November 25, 2011, the Corporation received regulatory approval under the rules of the Toronto Stock Exchange to purchase common shares under a NCIB. The Corporation was entitled to purchase, for cancellation, up to 1,217,671 common shares under the NCIB which commenced on November 30, 2011 and continued until November 29, 2012. The Corporation did not renew the NCIB in November 2012.

For the year ended December 31, 2012, 37,439 common shares were purchased under the Corporation's NCIB for a total of $400 or $10.67 per share.

Of the common shares repurchased in 2012, 37,439 were cancelled, resulting in the average carrying value of $192 being allocated as a reduction in equity and $208 representing the consideration in excess of the assigned value being charged to retained earnings during 2012. These shares were excluded from the calculation of the weighted average common shares outstanding for the year ended December 31, 2012.

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

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

		December 31, 2013		December 31, 2012
Trade and other receivables	**$**	**46,261**	$	36,675
Inventory		**159**		1,241
Prepaid expenses		**1,424**		527
Costs in excess of billings		**(9,355)**		(5,362)
Trade and other payables		**(43,618)**		(48,005)
Contract advances and unearned income		**(1,882)**		(15,067)
	$	**(7,011)**	$	(29,991)

30. FINANCIAL INSTRUMENTS

(a) Carrying values

		December 31, 2013		December 31, 2012
Financial assets:				
Cash and cash equivalents	**$**	**36,236**	$	33,774
Trade and other receivables		**262,836**		309,097
Service provider deposit		**6,157**		4,008
Long-term receivable, including current portion		**250**		275
Financial liabilities:				
Trade and other payables	**$**	**190,363**	$	233,442
Long-term debt, including current portion		**52,894**		52,737
Convertible debentures - debt component		**81,855**		79,151

(b) Fair values

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

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

At December 31, 2013, the fair value of the liability component of the convertible debentures is $82,614 (2012 – $79,735), which is based on an average market yield rate of 9.3% (2012 – 9.7%) determined from marketable debentures traded with similar terms.

The Corporation completed its fuel derivative contracts in 2012. Changes in the value of the fuel derivative instruments were recorded within prepaid expenses in the statements of financial position, and other income in the statements of earnings (loss).

Fair value hierarchy

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

(c) Financial risk management

(i) Credit risk

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

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

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

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

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

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

	December 31, 2013	December 31, 2012
Balance at beginning of the year	**$ 1,589**	$ 1,993
Impairment losses recognized on receivables	**2,339**	877
Amounts written off during the year as uncollectible	**(190)**	(898)
Amounts recovered during the year	**(993)**	51
Impairment losses reversed	**(51)**	(434)
Balance at the end of the year	**$ 2,694**	$ 1,589

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

	December 31, 2013	December 31, 2012
Current	**$ 101,045**	$ 91,727
1-60 days past due	**73,744**	77,119
61-90 days past due	**6,359**	17,078
More than 90 days past due	**20,594**	29,822
	$ 201,742	$ 215,746

In determining the quality of trade receivables, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Corporation had $20,594 of trade receivables (2012 – $29,822) which were greater than 90 days past due with $17,901 not provided for as at December 31, 2013 (2012 - $28,233). Of the total, $12,899 (63%) was concentrated in three customer accounts and of this amount $12,486 remained outstanding as March 16, 2014. The three customers are considered to be credit-worthy and there are presently no concerns regarding collectability of these accounts. Trade receivables are included in trade and other receivables on the statements of financial position.

(ii) Interest rate risk

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

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

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

	Carrying amount	
	December 31, 2013	December 31, 2012
Fixed rate instruments		
Financial liabilities	**$ 81,855**	$ 79,151
Variable rate instruments		
Financial assets	**$ 36,236**	$ 33,774
Financial liabilities	**52,894**	52,737

Fixed rate sensitivity

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

Variable rate sensitivity

A change of 100 basis points in interest rates at the reporting date would have increased or decreased equity and profit or loss by $272 (2012 - $252) related to financial assets and by $397 (2012 - $393) related to financial liabilities.

(iii) Liquidity risk

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

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

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

The following are the contractual obligations, including interest payments as at December 31, 2013, in respect of the financial obligations of the Corporation. Interest payments on the revolving credit facility have not been included in the table below since they are subject to variability based upon outstanding balances at various points throughout the year.

	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	**$ 190,363**	$ 190,363	$ 190,363	$ -	$ -	$ -
Provisions including current portion	**8,879**	8,879	3,987	1,352	-	3,540
Convertible debentures (debt portion)	**81,855**	94,013	5,175	88,838	-	-
Long-term debt including current portion	**52,894**	53,028	2,688	510	49,830	-
Lease commitments	**62,871**	62,871	7,584	12,427	12,427	30,433
	$ 396,862	$ 409,154	$ 209,797	$ 103,127	$ 62,257	$ 33,973

(iv) Fuel price risk management

The Corporation is exposed to the risk of volatile diesel fuel prices on large projects. To mitigate the risk of sudden and substantial movements in fuel prices causing volatility in project margins and profitability, the Corporation may enter into derivative instrument contracts.

The Corporation did not enter into any derivative instrument contracts during the year ended December 31, 2013.

On August 8, 2011, the Corporation entered into heating oil financial derivative contracts to help manage the volatility of diesel fuel costs for a multi-year project where significant consumption of diesel fuel was required. The contract required the Corporation to pay a fixed price of $0.7563 per litre to $0.7727 per litre and receive the floating market price at each settlement date from the counterparty on 6,100,000 litres of heating oil. The contracts expired between May and October 2012.

31. CAPITAL MANAGEMENT

The Corporation's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, and the payment of dividends, while taking a prudent approach towards financial leverage and management of financial risk.

The Corporation's capital is composed of equity and long-term indebtedness. The Corporation's primary uses of capital are to finance its growth strategies and capital expenditure programs.

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

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

The primary non-IFRS measures used by the Corporation to monitor its financial leverage are its ratios of long-term indebtedness to capitalization and long-term indebtedness to EBITDA. For the purposes of capital management, long-term indebtedness includes long-term debt and the debt component of convertible debentures, both net of deferred financing charges.

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

		December 31, 2013		December 31, 2012
Long-term indebtedness:				
Long-term debt, excluding current portion net of deferred financing fees	**$**	**50,335**	$	51,909
Convertible debentures - debt component net of deferred financing fees		**81,855**		79,151
Total long-term indebtedness		**132,190**		131,060
Total equity		**236,960**		235,150
Total capitalization	**$**	**369,150**	$	366,210
Indebtedness to capitalization percentage		**36%**		36%

The Corporation targets a long-term indebtedness to EBITDA ratio of 1.5x to 3.0x over a three to five-year planning horizon. At December 31, 2013, the long-term indebtedness to EBITDA was 3.21x (2012 – 3.36x) calculated on a last twelve-month basis as follows:

		December 31, 2013		December 31, 2012 [1]
Total long-term indebtedness	**$**	**132,190**	$	131,060
Net (loss) earnings	**$**	**5,145**	$	(62,340)
Add:				
Finance costs		**11,576**		11,578
Income tax (recovery) expense		**1,893**		(2,050)
Depreciation and amortization		**22,507**		27,170
Impairment loss		**-**		64,600
EBITDA	**$**	**41,121**	$	38,958
Long-term indebtedness to EBITDA ratio		**3.21x**		3.36x

[1] Restated under IAS 19 (2011). Under the previous IAS 19, the last twelve-month EBITDA was $39,598.

Notwithstanding the Corporation's current long-term indebtedness to EBITDA ratio exceeding the target range, management has reviewed the target range and considers it appropriate over the three to five-year horizon.

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

The Corporation also manages its capital through a rolling forecast of financial position and expected operating results. In addition, the Corporation establishes and reviews operating and capital budgets and cash flow forecasts in order to manage overall capital with respect to financial covenants. The Corporation's revolving credit facility is subject to the covenants described below. The covenants listed below are measured each quarter on March 31, June 30, September 30 and December 31. The Corporation was in full compliance with its credit facility covenants at December 31, 2013 and December 31, 2012. For the years ending 2013 and 2014, the Corporation's financial covenants are as follows:

- Working capital – Working capital represents total current assets less total current liabilities as classified on the consolidated statements of financial position. The Corporation's working capital ratio cannot be less than 1.1:1.
- Interest coverage – Interest coverage represents the ratio of EBITDA to interest expense for the 12 months ending as at the end of the fiscal quarter. For the purposes of the revolving credit facility, EBITDA is defined as earnings or loss before interest, income taxes, depreciation and amortization, non-cash gains and losses from financial instruments, stock based compensation and any other non-cash items deducted in the calculation of net earnings. The Corporation's interest coverage ratio must exceed 3.0:1.
- Debt to EBITDA – Debt represents total indebtedness and total obligations of the Corporation and its subsidiaries, excluding convertible debentures. The Corporation's debt to EBITDA ratio cannot exceed 3:1.
- Senior Debt to EBITDA – Senior Debt represents all debt other than subordinated or unsecured debt. The Corporation's senior debt to EBITDA cannot exceed 2.75:1 for the year ending December 31, 2013 and 2.5:1 on each quarter thereafter.

32. PRINCIPAL SUBSIDIARIES

Details of the Corporation's principal operating subsidiaries at December 31, 2013 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held
Stuart Olson Construction Ltd.	Building construction	Alberta	100%
Churchill Services Group Inc.	Corporate	Alberta	100%
411007 Alberta Ltd.	Corporate	Alberta	100%
TCC Holdings Inc.	Corporate	Alberta	100%
Broda Construction Inc.	Civil construction	Saskatchewan	100%
Canem Holdings Ltd.	Electrical contracting	British Columbia	100%

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

33. RELATED PARTY TRANSACTIONS

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

The Corporation incurred facility costs during the year ended December 31, 2013 of $351 (2012 – $136) for the rental of a building that is 50% owned by Schneider Investments Inc., a company owned by George Schneider, a Director of the Corporation. A new lease with Schneider Investments Inc. was entered into during the year. Beginning in 2013, lease costs now include building operating expenses. No amounts are included in trade payables as at December 31, 2013 (2012 – $nil).

The Corporation incurred facility costs during the year ended December 31, 2013 of $398 (2012 – $432) for the rental of a building owned by Broda Holdings (2009) Inc., a company owned by the president of Broda. At December 31, 2013, $29 is included in trade payables (2012 - $29).

34. OPERATING LEASE ARRANGEMENTS

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

	December 31, 2013	December 31, 2012
Not later than 1 year	**$ 7,584**	$ 8,044
Later than 1 year and not later than 5 years	**24,854**	26,496
Later than 5 years	**30,433**	36,034
	$ 62,871	$ 70,574

Payments recognized as expense:

	December 31, 2013	December 31, 2012
Minimum lease payments	**$ 11,266**	$ 6,950
Sub-lease payments received	**(944)**	(448)
	$ 10,322	$ 6,502

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

35. CONTINGENCIES, COMMITMENTS AND GUARANTEES

(a) Contingencies

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

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

(b) Commitments and guarantees

The Corporation completed its non-discretionary five year commitment of $1,000 to Southern Alberta Institute of Technology (SAIT) Polytechnic in 2012 and had no related accrued liability as at December 31, 2013 (2012 - $nil).

The Corporation has made various donations in support of local communities. Over the next three years, the Corporation has committed to pay $1,855, of which $1,710 is to be paid out in the upcoming 12 month period.

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

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

(c) Letters of credit

The Corporation has provided several letters of credit in the amount of $5,059 in connection with various projects and joint arrangements (2012 - $15,646), of which $nil are financial letters of credit (2012 - $6,500). During the year, $7,500 of the financial letters of credit that were outstanding at June 30, 2013 expired; resulting in an uplift to the Corporation's borrowing capacity by the same amount.

36. EVENTS AFTER THE REPORTING PERIOD

On March 16, 2014, the Corporation's Board of Directors declared a common share dividend of $0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable April 15, 2014 to shareholders of record on March 31, 2014.