AECON

TEAM WORKS

ANNUAL REPORT 2011

FINANCIAL HIGHLIGHTS

For the years ended December 31

(in millions of Canadian dollars, except per share amounts)

	2011	2010
	$	$
Revenues	2,896.2	2,749.8
EBITDA*	163.1	105.6
Operating profit*	100.5	57.2
Profit attributable to shareholders	57.6	41.8
Adjusted profit attributable to shareholders*	54.5	31.0
Backlog revenues	2,390	2,447
Earnings per share		
– Basic	1.07	0.76
– Diluted	0.84	0.57
Adjusted earnings per share*		
– Basic	1.01	0.57
– Diluted	0.84	0.54
Dividends per share	0.20	0.20
Book value per share*		
– Basic	9.20	8.31
– Diluted	9.20	8.31
Weighted average number of shares outstanding (in millions)		
– Basic	53.9	54.8
– Diluted	86.3	74.8

* The financial highlights and five-year financial performance section of the annual report present certain non-GAAP financial measures to assist readers in understanding the Company's performance. Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP. These measures are defined in the notes to the five-year performance section.

TEAM WORKS

"The real progress that we made in improving our financial performance was evident in the way we controlled costs, reduced risk and delivered more of Aecon's top line revenue to bottom line earnings."

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DEAR FELLOW SHAREHOLDERS,

Last year, I pledged to you that Aecon would emerge through 2011 "more focused, more determined and on a clear path to deliver strong results." I am pleased to report to you that the Aecon team delivered on this commitment. Aecon posted some of our strongest financial results ever last year. We plan to build on these achievements in 2012 as we continue to strive to deliver stronger results, particularly in driving improved margins.

Our mission remains focused on execution and team work… because team works… for our employees, our clients, our partners and in the bottom line for you.

In relentlessly pursuing this mission, we scrutinized nearly every aspect of our business – from the way we select project opportunities, develop bids and negotiate contracts – to how we identify, evaluate and manage risk. We are fundamentally changing the way Aecon works.

Some of these changes are easy to spot, like the appointment of Teri McKibbon as Aecon's Chief Operating Officer, a position that we vested with cross-divisional authority and accountability. Other changes are less obvious and required digging deeper into the inner workings of our business processes. Under Teri's leadership, all of our business unit leaders approached this imperative with determination, enthusiasm and energy. The results of this collaboration are evident – not only in the progress that we made in 2011 in delivering improved financial performance – but also in the singular focus that we are now bringing to the way we serve our clients.

Over the years, Aecon has developed a national capability to deliver a very broad range of construction services. Yet too often, we found ourselves missing opportunities to take full advantage of these competitive strengths. To understand how to change this, we looked closely at the relationships that we have with our customers. In many cases we saw the opportunity to bring greater breadth and depth to the scope of work that we deliver. We realized that we needed to make it easier for different parts of our business to serve these clients. The simple but powerful concept of 'One Aecon' is now embedding itself in our culture. While there is still work to be done, I believe our business unit leaders, project teams, and most importantly our clients, are beginning to see this Aecon advantage and the mutual benefits of this unique set of capabilities.

Taken together, all of these changes are having a positive impact on Aecon's performance. The 2011 financial results are tangible evidence of our progress.

Last year, Aecon increased top line revenue by five percent from \$2.75 billion to \$2.90 billion. In a year

"I believe these financial results are an important measure of the progress we've made in setting Aecon on a path to strong, sustainable earnings growth."

that was still weighed down by weakness in some of our core market segments, this was a modest but respectable achievement. But, importantly, the real progress that we made in improving our financial performance was evident in the way we controlled costs, reduced risk and delivered more of Aecon's top line revenue to bottom line earnings. From the five percent increase in revenue, we increased EBITDA last year by 54 percent from $105.6 million to $163.1 million while adjusted basic EPS increased by 77 percent from $0.57 per share to $1.01 per share. The confidence in our improved financial performance and outlook is reflected in the decision to increase the annual dividend from $0.20 to $0.28 per common share.

I believe these financial results are an important measure of the progress we've made in setting Aecon on a path to strong, sustainable earnings growth. From a broader perspective, I believe that path is marked with some clearly visible signposts that point to what some observers have called a new 'super cycle' of construction activity.

By 2020, Canada is expected to become one of the world's five largest markets for construction activity. According to a study by PwC and Oxford Economics, between 2012 and 2015, the non-residential construction market in Canada is expected to grow by an average of 4.7 percent per year, and the infrastructure construction market is expected to grow annually by 6.8 percent.

In the industry sectors where Aecon has strategically positioned itself, the opportunities are unprecedented:

- In the transportation sector, there are eight projects worth more than one billion dollars each currently in the planning or bidding stage;
- The natural resource sector accounted for nearly one quarter of the capital expenditure investments made in Canada last year (according to the Federal Department of Natural Resources); and
- In the power generation sector, $195 billion is projected to be invested in expanding and refurbishing production capacity with another $98 billion to be invested in power transmission and distribution infrastructure.

Aecon is already capturing a substantial share of revenue from these projects. Recently we announced that our joint venture had been selected by Ontario Power Generation to carry out the Darlington Retube and Feeder Replacement Project at the Darlington Generating Station east of Toronto. Initiatives like Darlington are large, long-term, multi-disciplined projects that are ideally suited to the scale, scope and geographic breadth of construction capabilities that we have developed.

Over the span of 120 years, we have built Aecon as a proudly Canadian enterprise – with the financial strength – to take on substantial projects that require a unique blend of operational expertise, project management skills and long-term planning capabilities.

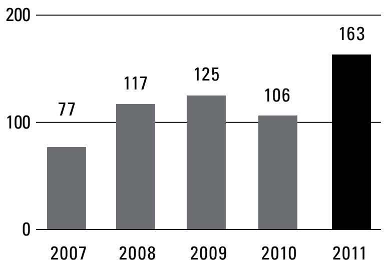
However pleased we are with the progress made in improving Aecon's financial performance in 2011, it isn't about declaring victory. We don't see operational excellence as a destination. The Aecon team sees it as a journey – a constant process of learning and evolving that allows us to approach each market, each project and each client as a new opportunity to improve the performance that we deliver to our stakeholders. I believe the prospects and the rewards that await us on this journey are unmatched in our history as this construction 'super cycle' draws us into the next stage of Aecon's growth.

Thank you for your continued support.

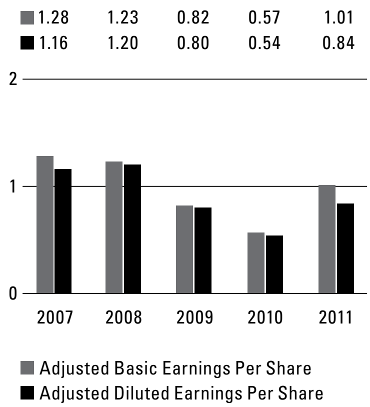
John M. Beck
Chairman and Chief Executive Officer
Aecon Group Inc.

FIVE-YEAR FINANCIAL PERFORMANCE[1]

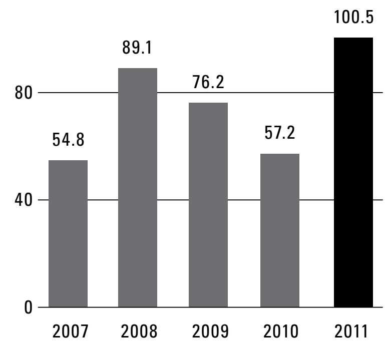
EBITDA[2]
($ MILLIONS)



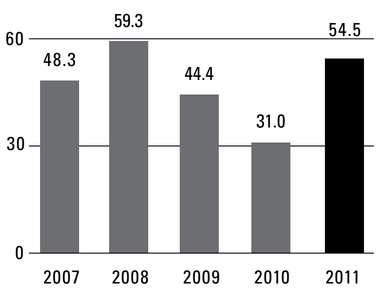
Adjusted Basic And Diluted Earnings Per Share[3]



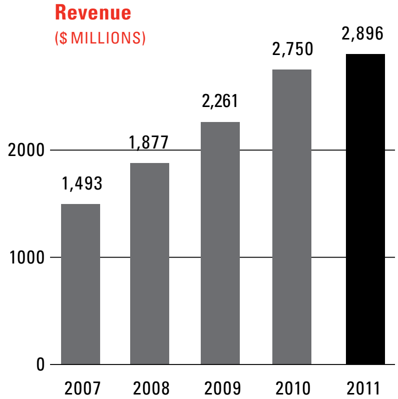
Operating Profit[4]
($ MILLIONS)



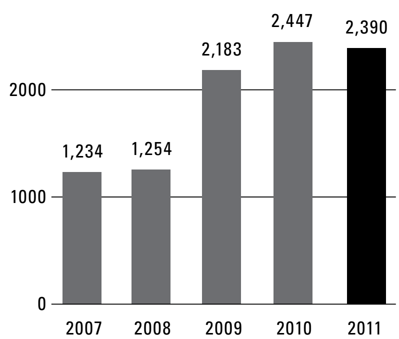
Adjusted Profit Attributable To Shareholders[5]
($ MILLIONS)



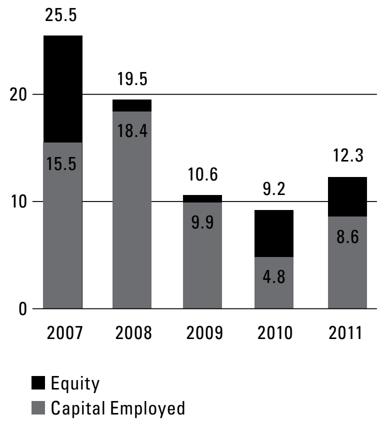
Revenue
($ MILLIONS)



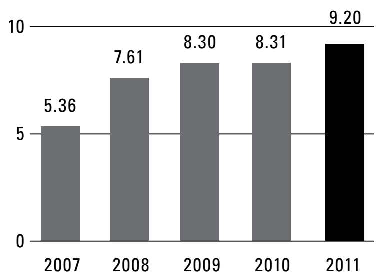
Backlog Revenue[6]
($ MILLIONS)



Return On Equity[7] And Return On Capital Employed[8] (%)



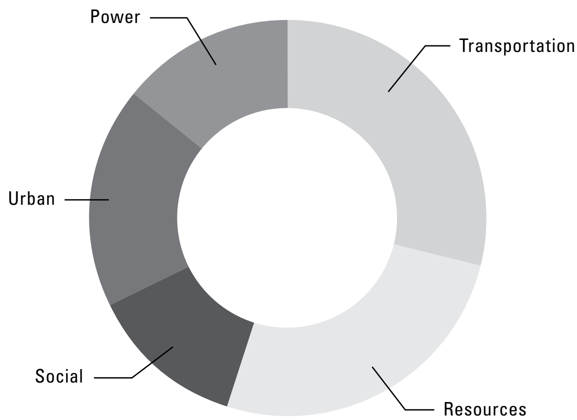
Book Value Per Share[9]
(DILUTED)



NOTES

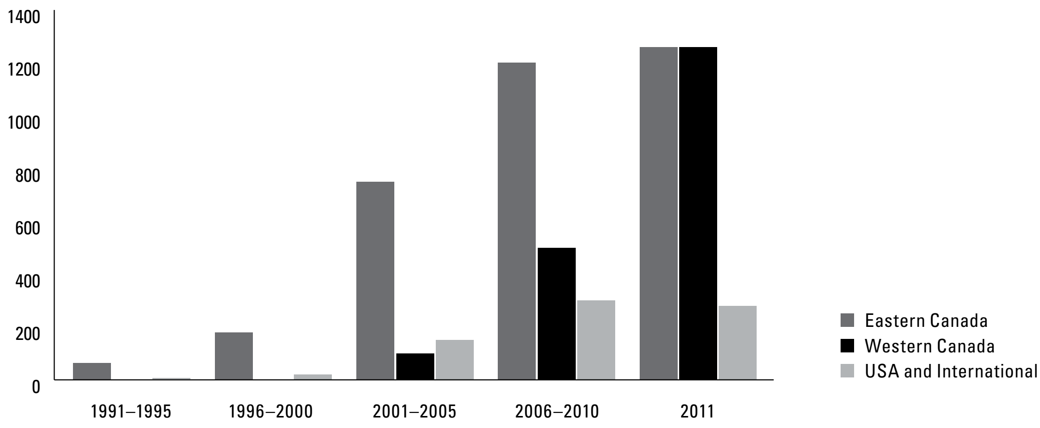
1. The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and to require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its consolidated financial statements at December 31, 2011. The term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. Amounts previously reported for 2010 have been restated to give effect to these changes in accordance with IFRS. Amounts reported for 2007 to 2009 reflect amounts reported previously in accordance with Canadian GAAP.
2. EBITDA represents earnings or losses before net financing costs, income taxes, depreciation and amortization, and non-controlling interests. Net financing costs excludes interest on project specific debt which, under IFRS, is classified as a direct cost in the calculation of gross profit.
3. Adjusted earnings per share represent earnings per share calculated using adjusted profit attributable to shareholders.
4. Operating profit represents the profit from operations, before net financing costs, income taxes and non-controlling interests.
5. Adjusted profit attributable to shareholders represents the profit attributable to shareholders adjusted to exclude the after-tax fair value gain on the embedded derivative portion of the Company's convertible debentures.
6. Backlog means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract respecting such work is reasonably assured.
7. Return on Equity is calculated as profit attributable to the Company divided by the average of shareholders' equity at the beginning and end of the fiscal year.
8. Return on Capital Employed is calculated as operating profit divided by the average of shareholders' equity, convertible debentures and long-term debt, at the beginning and end of the fiscal year.
9. Book Value Per Share (diluted) is calculated as shareholders' equity plus the increase in shareholders' equity if options and convertible debentures in the money are exercised and/or converted plus officer share purchase loans plus the book value of LTIP shares, all divided by shares outstanding at year end (diluted). Shares outstanding at year end (diluted) represent the number of shares issued at the end of the year plus the number of shares issuable if options and convertible debentures in the money were exercised and/or converted plus the number of LTIP shares.

2011 Revenue By Sector (%)



Transportation Infrastructure – 29%
Resource Development – 26%
Power Generation – 13%
Urban Infrastructure – 18%
Social Infrastructure – 14%

Revenue By Geography (ANNUAL AVERAGE) ($ MILLIONS)



MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION ("MD&A")

DECEMBER 31, 2011

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The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon" or the "Company") should be read in conjunction with the Company's December 31, 2011 consolidated financial statements and notes. This MD&A has been prepared as of March 5, 2012. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

INTRODUCTION

Aecon operates in three principal segments within the construction and infrastructure development industry: Infrastructure, Industrial and Concessions.

The Infrastructure segment includes all aspects of the construction of both public and private infrastructure, including roads and highways, as well as toll highways, hydroelectric power projects and dams, tunnels, bridges, airports, marine facilities and transit systems, primarily in Canada, and on a selected basis, internationally. This segment includes the mining, manufacture and supply of asphalt and aggregate products, and the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting. Infrastructure also includes the operations of Aecon Mining, a large oilsands mining and reclamation contractor, and Aecon Buildings, which specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including hospitals, educational facilities, office buildings, industrial buildings, airport terminals, entertainment facilities, retail complexes, roof-top solar installations and high-rise condominium buildings among others. The design and construction of the New Quito Airport project is included in the Infrastructure segment.

The Industrial segment encompasses all of Aecon's industrial construction and manufacturing activities including in-plant construction, site construction, and module assembly in the energy, manufacturing, petrochemical, steel, automotive and mining sectors. Activities in this segment include the construction of alternative, fossil fuel and cogeneration power plants, in-plant construction at nuclear power plants, the fabrication and module assembly of small diameter specialty pipe, and the design and manufacture of "once-through" heat recovery steam generators ("HRSGs") for industrial and power plant applications and enhanced oil recovery boilers for use in the oilsands. This segment includes the design and build of water and waste water facilities, as well as mechanical and electrical installations in hospitals, schools, and institutional buildings. Although activities in this segment are concentrated primarily in Canada, Aecon, through its subsidiary, Innovative Steam Technologies Inc., ("IST") sells HRSGs throughout the world.

Activities within the Concessions segment include the development, financing, construction and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. This segment focuses primarily on the operation, management, maintenance and enhancement of investments held by Aecon in infrastructure concessions, which is currently comprised of an investment in the Quito Airport concession company and, until it was sold, also included the operator of the Cross Israel Highway and Aecon's interests in several affiliates that operated other transportation infrastructure assets in Israel. The segment also includes the operations of the Highway 104 toll plaza in Atlantic Canada. In addition, this segment has a development function whereby it monitors and, where appropriate, brings together the unique capabilities and strengths of Aecon for the development of public sector infrastructure projects in which Aecon can play a role beyond just being a contractor, as a developer, operator or investor.

The construction industry in Canada is seasonal in nature for companies like Aecon who perform a significant portion of their work outdoors, particularly road construction and utilities work. As a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, Aecon has historically experienced a seasonal pattern in its operating results, with the first half of the year, and particularly the first quarter, typically generating lower revenues and profits than the second half of the year. Therefore, results in any one quarter are not necessarily indicative of results in any other quarter, or for the year as a whole.

FORWARD-LOOKING INFORMATION

The information in this MD&A includes certain forward-looking statements. Although these forward-looking statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and uncertainties. In addition to general global events outside Aecon's control, there are factors which could cause actual results, performance or achievements to vary from those expressed or inferred herein including risks associated with an investment in the common shares of Aecon and the risks related to Aecon's business, including large project risk and contractual factors. Risk factors are discussed in greater detail in the section on "Risk Factors" in this MD&A. Forward-looking statements include information concerning possible or assumed future results of Aecon's operations and financial position, as well as statements preceded by, followed by, or that include the words "believes," "expects," "anticipates," "estimates," "projects," "intends," "should" or similar expressions. Other important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause its results to differ materially from those expressed in any forward-looking statements.

FINANCIAL REPORTING STANDARDS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and to require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 consolidated financial statements. Amounts previously reported for 2010 have been restated to give effect to these changes.

NON-GAAP MEASURES

The MD&A presents certain non-GAAP financial measures to assist readers in understanding the Company's performance. Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP.

Throughout this MD&A, the following terms are used, which are not found in the CICA Handbook and do not have a standardized meaning under GAAP:

1. **"Gross profit"** represents revenues less direct costs and expenses. Not included in the calculation of gross profit are marketing, general and administrative expenses ("MG&A"), depreciation and amortization, income or losses from construction projects accounted for using the equity method, foreign exchange, interest, gains or losses on the sale of assets, income taxes, and non-controlling interests.
2. **"Gross profit margin"** represents gross profit as a percentage of revenues.
3. **"EBITDA"** represents earnings or losses before net financing expense, income taxes, depreciation and amortization, and non-controlling interests. Net financing expense excludes interest on project specific debt which, under IFRS, is classified as a direct cost in the calculation of gross profit.
4. **"Operating profit (loss)"** represents the profit (loss) from operations, before net financing expense, income taxes and non-controlling interests.
5. **"Operating margin"** represents operating profit (loss) as a percentage of revenues.
6. **"Profit (loss) before taxes"** represents profits or losses before income taxes and non-controlling interests.
7. **"Adjusted profit (loss) attributable to shareholders"** represents the profit (loss) attributable to shareholders adjusted to exclude the after-tax fair value gain (loss) on the embedded derivative portion of Aecon's convertible debentures.
8. **"Adjusted earnings (loss) per share"** represents earnings (loss) per share calculated using adjusted profit (loss) attributable to shareholders.

Aecon believes the above measurements, which are commonly used by the investment community for valuation purposes, are useful complementary measures of profitability. The most directly comparable measures calculated in accordance with GAAP are profit (loss) attributable to shareholders or earnings (loss) per share.

// **"Backlog"** means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract respecting such work is reasonably assured.

Backlog is not a recognized performance measure under GAAP and does not have any standardized meaning prescribed by GAAP. Aecon believes that backlog is a useful complementary measure, commonly used by management and the investment community, to evaluate the Company's projected activity in future periods. There is no direct comparable measure to backlog in GAAP.

BUSINESS STRATEGY

Aecon is a leading provider of construction, contracting and infrastructure development services across Canada, with the overall strategic goal of becoming "The first company people go to for building things that matter".

In 2011 Aecon updated its strategic path, placing a greater priority on operational execution, risk management and organic growth, with a reduced emphasis on top line growth now that expansion of Aecon's footprint across Canada has been achieved. This refined strategy has served Aecon well over the past year and has resulted in a successful ramp-up of Aecon Mining, further strengthening of the Company's project controls and stronger alignment of Aecon's operating divisions – all reflected in more consistent operating performance and steady, sustainable earnings growth for Aecon.

Aecon's strategy in 2012 flows from the updated strategy adopted in 2011. Core elements of this strategy, along with management's particular focus for 2012, are discussed below.

Focus on People – As a construction, contracting, and infrastructure development company, Aecon is acutely aware that its most important asset, and the key to its success, is its people. Competition in Canada for skilled workers, engineers and project managers can be intense, and given the reality of the aging workforce within the sector, competition for skilled workers is unlikely to abate in the short or medium-term.

In this environment, Aecon's ability to attract, develop and retain 'best in class' employees is a critical component of its long-term success. As such, Aecon's focus on investing in its people and remaining an employer of choice is continually being strengthened, with increased emphasis at both the corporate and divisional levels on recruitment, training, leadership development, and building a 'performance and learning culture' throughout the Company. In addition, Aecon's strong track record of safety and environmental performance is an important factor in our people-focussed initiative.

Aecon has been recognized by Aon Hewitt and Maclean's magazine as one of the "Best Employers in Canada" in each of the last five years.

Operational Diversity within 'One Aecon' – Aecon is one of the most diverse companies in its industry, able to self-perform a wide variety of construction, contracting and infrastructure development services, and to offer clients a single solution to their needs – a full service construction, contracting, and infrastructure development company with turnkey capabilities – 'One Aecon'. This approach allows Aecon to focus on enhancing client value and competing for business on the basis of more than just price.

A key component of Aecon's operational diversity strategy is the development of its vertical and horizontal integration capabilities, especially in the Infrastructure and Industrial segments. The ability to self-perform the services required at virtually every stage of a project, from site clearing to final construction, often including complete procurement services, is a growing competitive advantage for Aecon.

The depth and breadth of Aecon's capabilities also allow it to participate in projects beyond the scope of any one discipline or division. Further, leveraging capabilities across diverse businesses allows for synergies and cost savings for both Aecon and its clients through economies of scale and resource sharing.

Focus on Execution, Risk Management and Safety – The ability to effectively identify, mitigate and manage the construction risk inherent in every project it undertakes, and the ability to deliver those projects in a manner that appropriately protects the safety of employees, stakeholders and the public, are key elements of success in Aecon's industry. Developing industry leading capabilities in these areas is a fundamental part of Aecon's strategy.

Aecon has established a detailed set of project criteria and risk management practices that are continuously reviewed, updated and improved. From the criteria set for selecting the projects it bids, to the evaluation of project risks and appropriate mitigation measures, to project pricing and the senior management approval processes a bid must go through, risk management is a strategic and operational priority for Aecon.

An important element of Aecon's risk management strategy is the ongoing monitoring of projects under construction to ensure that the risk management plan established at the bid stage of the project remains sufficient and is being effectively implemented. To assist in this effort, Aecon has established a 'project controls' team, consisting of some of Aecon's most experienced and knowledgeable staff, whose mandate is to ensure that complex projects are provided with state of the art management controls for contract administration, cost control, scheduling and other best practices. This group also reviews the status of key projects against a set of pre-determined criteria, and ensures that the project is meeting its financial and risk management objectives.

Increasingly, a company's ability to demonstrate that it has industry leading safety programs and a culture that puts safety first, is becoming an important differentiator for companies in Aecon's industry. For many clients, most notably in the resources sector, a contractor's demonstrated commitment to safety throughout the organization is as important to selecting a contractor as their commitment to schedule, quality and price. This growing focus on safety is one of the reasons that maintaining and strengthening its industry leading safety program and culture is a key element of Aecon's business strategy.

Partnerships and Alliances – The construction and infrastructure development industry in Canada has experienced several important changes in recent years including a trend toward alliances, joint ventures, public private partnerships and an increase in large projects requiring expertise in a variety of disciplines. The resulting importance within the industry of a company's ability to develop and manage creative relationships and alliances has provided opportunities for innovative companies such as Aecon to grow their business through executing larger, more complex projects with strong partners.

Aecon has for many years placed a priority on the development of partnering skills, enabling it to capitalize on a number of the emerging opportunities created by these trends. More recently, Aecon's participation in the Air Rail Link project in Toronto, the Lower Mattagami hydroelectric project in Northern Ontario, the Waneta Dam project in British Columbia and the A-30 highway project in Quebec are all the direct result of forming alliances with leading industry players. These and other alliances have given Aecon access to projects that are beyond Aecon's capabilities to deliver alone. These partnerships also provide Aecon and our partners with an opportunity for exchanging and optimizing best practices with others in the industry.

Particular focus for 2012 – Within this context, a specific focus has been adopted for 2012 that is designed to advance Aecon's overall strategy and to address specific issues and opportunities that have emerged. Aecon's particular focus for 2012 is outlined below.

// Focus on margin growth – everyone focused on driving best in class operating margins
// Focus on project execution and risk management – process discipline, full implementation of project controls initiative, consolidation and refinement of best practices across the organization
// Strengthen client and sector orientation – delivering a single turnkey solution… operational diversity within 'One Aecon'
// Organic growth and integration – no major acquisitions, build on our strong position, grow in core markets and continue to develop partnerships
// Focus on Aecon's core growth sectors of Transportation, Resources and Power.

CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions (except per share amounts)	Three Months Ended December 31		Year Ended December 31	
	2011	2010	**2011**	2010
	$	$	**$**	$
Revenues	**790.3**	**840.8**	**2,896.2**	**2,749.8**
Gross profit	112.7	23.6	274.1	162.1
Marketing, general and administrative expenses	(41.6)	(29.3)	(138.8)	(116.3)
Income (loss) from construction projects accounted for using the equity method	3.7	1.5	14.1	0.4
Gain (loss) on business combination	–	(0.1)	–	13.8
Foreign exchange gains (losses)	0.2	0.4	0.3	0.4
Gain on sale of assets and investments	1.0	38.1	15.9	45.1
Other gains (losses)	(2.5)	–	(2.5)	–
EBITDA	**73.6**	**34.2**	**163.1**	**105.6**
Depreciation and amortization	(16.8)	(14.3)	(62.5)	(48.4)
Operating profit	**56.8**	**19.9**	**100.5**	**57.2**
Financing charges, net	(9.8)	(6.2)	(31.2)	(16.2)
Fair value gain (loss) on convertible debentures	(0.3)	3.8	4.3	14.9
Profit before income taxes	**46.7**	**17.5**	**73.6**	**56.0**
Income tax recovery (expense)	(9.8)	(0.9)	(11.4)	(9.4)
Profit attributable to non-controlling interests	(0.3)	(1.6)	(4.6)	(4.8)
Profit attributable to shareholders	**36.7**	**15.1**	**57.6**	**41.8**
Profit attributable to shareholders	36.7	15.1	57.6	41.8
Exclude:				
Fair value (gain) loss on convertible debentures	0.3	(3.8)	(4.3)	(14.9)
Income tax on fair value gain/loss	(0.1)	1.0	1.2	4.1
Adjusted profit attributable to shareholders	**36.9**	**12.4**	**54.5**	**31.0**
Gross profit margin	**14.3%**	**2.8%**	**9.5%**	**5.9%**
MG&A as a percent of revenues	**5.3%**	**3.5%**	**4.8%**	**4.2%**
Operating margin	**7.2%**	**2.4%**	**3.5%**	**2.1%**
Earnings per share - basic	**0.69**	**0.27**	**1.07**	**0.76**
Earnings per share - diluted	**0.49**	**0.20**	**0.84**	**0.57**
Adjusted earnings per share - basic	**0.69**	**0.22**	**1.01**	**0.57**
Adjusted earnings per share - diluted	**0.49**	**0.20**	**0.84**	**0.54**
Backlog			**2,390**	**2,447**

Revenues and operating profit (loss) by segment for the years ended December 31, 2011 and 2010 are set out in the table below and discussed in the section "Reporting Segments":

	Year Ended December 31			
($ millions)	Revenue		Operating profit (loss)	
	2011	2010	**2011**	2010
	$	$	**$**	$
Infrastructure	**1,702.5**	1,637.2	**52.4**	42.2
Industrial	**1,120.5**	1,044.3	**42.6**	(17.5)
Concessions	**81.2**	91.3	**35.9**	58.7
Other costs and eliminations[1]	**(8.0)**	(23.0)	**(30.4)**	(26.2)
Consolidated	**2,896.2**	2,749.8	**100.5**	57.2

[1] The other costs and eliminations category includes corporate and other costs that are not directly allocable to segments and also includes inter-segment eliminations.

Marketing, general and administrative ("MG&A") expenses increased by $23 million in 2011 compared to 2010 and MG&A as a percent of revenues increased from 4.2% to 4.8%. The higher MG&A is primarily attributable to Aecon Mining, which acquired the assets and operations of Cow Harbour in the third quarter of 2010, growth in the business, and higher performance related incentive costs.

Aecon's participation in construction projects where Aecon exercises significant influence over the project, but does not control or jointly control the project, is accounted for using the equity method of accounting. This method of accounting results in earnings (revenues less expenses) from equity accounted projects being reported as a single amount on Aecon's consolidated statement of income. In 2011, Aecon reported income of $14.1 million from construction projects accounted for using this method of accounting compared to income of $0.4 million in 2010.

The 2010 gain of $13.8 million from a business combination relates to the acquisition of the assets of Cow Harbour.

The $15.9 million pre-tax gain from the sale of assets and investments in 2011 resulted primarily from the salein September 2011 of Aecon's interest in Derech Eretz Highways Management Corporation Limited, the operator of the Cross Israel Highway, in which Aecon held a 30.6% interest. This sale resulted in a pre-tax gain of $11.5 million. Most of the balance resulted from the sale of surplus equipment within the Infrastructure segment.

The $45.1 million pre-tax gain from the sale of assets and investments in 2010 resulted from a gain of $36.1 million in the Concessions segment from the sale of Aecon's investment in the Cross Israel Highway concession, a $7.0 million gain in the Infrastructure segment from a land sale, and a $1.9 million gain from the sale of Aecon's investment in the common shares of Churchill Corporation.

Other losses of $2.5 million in 2011 result from the settlement of a long outstanding legal dispute related to Aecon's prior involvement in the construction of a grain terminal in Gdansk, Poland.

Depreciation and amortization expense of $62.5 million in 2011 was $14.1 million higher than in 2010. The increase resulted primarily from higher depreciation charges on equipment relating to Infrastructure's Aecon Mining operations.

A reconciliation of the changes in operating profit (loss) by segment comparing the results for the three months and years ended December 31, 2011 and 2010 is set out in the table below:

($ millions)	Three Months Ended December 31	Year Ended December 31
	$	$
Consolidated operating profit - 2010	**19.9**	**57.2**
Civil and Materials		
Ongoing operations	(1.8)	(1.3)
Gain on sale of land in 2010	–	(7.0)
Utilities	(1.1)	16.2
Mining		
Ongoing operations	9.1	(2.7)
Gain on sale of equipment	0.9	3.3
Gain on acquisition of the assets of Cow Harbour in 2010	0.1	(13.8)
Buildings	8.2	15.5
Increase in Infrastructure operating profit	**15.4**	**10.2**
Heavy Industrial (Construction and Fabrication)	64.6	57.6
Mechanical	(0.9)	2.5
IST	(1.6)	–
Increase in Industrial operating profit	**62.1**	**60.1**
Quito Airport Concessionaire	(0.2)	1.7
Cross Israel Highway (CIH)		
Operations	(2.6)	(0.4)
Gain on sale of investment in operator of CIH in 2011	–	11.5
Gain on sale of long-term concession investment in 2010	(36.1)	(36.1)
Other	0.5	0.5
Decrease in Concessions operating profit	**(38.4)**	**(22.8)**
Settlement of legal dispute	(2.5)	(2.5)
Other	0.3	(1.7)
(Increase) in Other costs and eliminations	**(2.2)**	**(4.2)**
Consolidated operating profit - 2011	**56.8**	**100.5**

Financing charges, net of interest income, of $31.2 million in 2011 were $15.0 million higher than in 2010. The increase resulted primarily from higher interest costs related to convertible debentures and equipment loans issued in the fourth quarter of 2010 to finance the acquisition of Cow Harbour's assets.

The terms of the Company's convertible debentures include an option for holders to convert prior to the maturity date and allow the Company the option to settle the conversion in cash (or a combination of cash and common shares) unless a holder expressly indicates in the conversion notice that they do not wish to receive cash. Under IFRS, the holder's option to convert is treated as a derivative liability which must be measured at fair value at each reporting period, with gains and losses flowing through profit or loss. In 2011, the gain from fair valuing the embedded derivatives within Aecon's convertible debentures was $4.3 million compared to a gain of $14.9 million in 2010. For more information, refer to Note 21 of the 2011 consolidated financial statements.

Set out in Note 23 of the 2011 consolidated financial statements is a reconciliation between the expected income tax recovery/(expense) in 2011 and 2010 based on statutory income tax rates and the actual income tax recovery/(expense) reported for both these periods. Included in the 2011 income tax expense is a $3.1 million reversal of previously accrued income taxes, which management believes are unlikely to be payable, and a $2.1 million credit from the impact of changes in substantially enacted tax rates on deferred tax balances.

Non-controlling interests represents the share of profit or loss attributable to minority shareholders of non wholly-owned Aecon subsidiaries and joint ventures, primarily the Quito airport concessionaire and, prior to its sale in the third quarter of 2011, the operator of the Cross Israel Highway.

Backlog

($ millions)	As at December 31	
	2011	2010
	$	$
Infrastructure	**1,424**	1,781
Industrial	**966**	666
Consolidated	**2,390**	2,447

New contract awards of $2,839 million were booked in 2011 compared to $2,987 million in 2010. Further details of backlog for each of the segments are included in the discussion below under Reporting Segments.

Backlog duration, representing the expected period during which backlog on hand will be converted into revenue, is included in the table below:

Estimated Backlog Duration

($ millions)	As at December 31			
	2011		2010	
	$		$	
Next 12 months	1,478	62%	1,479	60%
Next 13–24 months	626	26%	513	21%
Beyond	287	12%	456	19%
	2,390	100%	2,447	100%

It is important to note that Aecon does not report as backlog the significant and increasing number of contracts and arrangements in hand where the exact amount of work to be performed cannot be reliably quantified or where a minimum number of units at the contract specified price per unit is not guaranteed. Examples include time and material and some cost-plus and unit priced contracts where the extent of services to be provided is undefined or where the number of units cannot be estimated with reasonable certainty. Other examples include the value of construction work managed under construction management advisory contracts, concession agreements, multi-year operating and maintenance service contracts, supplier of choice arrangements and alliance agreements where the client requests services on an as-needed basis. None of the expected revenues from these types of contracts and arrangements are included in backlog. Therefore, Aecon's effective backlog at any given time is greater than what is reported.

REPORTING SEGMENTS

INFRASTRUCTURE

Financial Highlights

($ millions)	Three Months Ended December 31		Year Ended December 31	
	2011	2010	**2011**	2010
	$	$	$	$
Revenues	**506.9**	525.3	**1,702.5**	1,637.2
Gross profit	**64.6**	45.4	**123.3**	86.7
EBITDA	**52.3**	34.7	**91.2**	68.8
Segment operating profit	**41.0**	25.6	**52.4**	42.2
Segment operating margin	**8.1%**	4.9%	**3.1%**	2.6%
Backlog			**1,424**	1,781

For the year ended December 31, 2011, revenues in the Infrastructure segment of $1,703 million increased by $65 million, or 4%, over the prior year. Revenues increased in Mining and Utilities operations, and decreased in Buildings operations. Revenues in Civil and Materials operations were unchanged year-over-year. The increase in Mining operations reflects the commencement of operations of Aecon Mining following the purchase in late August 2010 of Cow Harbour's assets. The majority of the improvement in Utilities revenues occurred in Ontario as market conditions significantly improved compared to 2010. Revenues from Buildings operations of $475 million in 2011 decreased by $69 million compared to 2010. Most of this revenue decrease occurred in Ontario following the completion of several large projects and a shift in focus away from high-revenue low-margin building projects.

For the three months and year ended December 31, 2011, the operating profit in the Infrastructure segment increased / (decreased) over the same period last year as follows:

($ millions)	Three Months Ended December 31	Year Ended December 31
	$	$
Civil and Materials		
Ongoing operations	(1.8)	(1.3)
Gain on sale of land in 2010	–	(7.0)
Utilities	(1.1)	16.2
Mining		
Ongoing operations	9.1	(2.7)
Gain on sale of equipment	0.9	3.3
Gain on acquisition of the assets of Cow Harbour in 2010	0.1	(13.8)
Buildings	8.2	15.5
Increase in Infrastructure operating profit	**15.4**	**10.2**

For the year ended December 31, 2011, higher operating profit in Utilities resulted from improved volumes and gross profit margins from the unit's Ontario operations compared to the depressed margins and volumes reported in 2010. In Buildings, there was an operating loss of $4.3 million in 2011 compared to a loss of $19.9 million in 2010. The $15.6 million reduction in operating losses was primarily due to the year-over-year impact of profit write downs taken in 2010 on certain projects. These improved operating results from Utilities and Buildings were offset by lower profits in Mining and Civil and Materials operations. When the impact of a $13.8 million gain in 2010 related to the acquisition of the assets of Cow Harbour and a $3.3 million gain in 2011 from the sale of surplus equipment are excluded, operating losses from Mining operations increased by $2.7 million reflecting the ramp-up of operations during 2011, which included a significant equipment overhaul program. Although demand for mining services in 2011 was lower than expected industry wide for a variety of reasons, the number of oilsands projects, including expansions, under development suggests that demand for mining services will strengthen and that the previous softness in the market will reverse. Some evidence of this was seen in the second half of 2011. In Civil and Materials, improvements in operating profits from heavy civil projects, mainly in British Columbia and Quebec, as well as higher profits from construction of the new Quito international airport, were offset by weaker results from operations in Alberta.

Infrastructure backlog at December 31, 2011 was $1,424 million, which represents a $357 million decrease over the same time the previous year. New contract awards totaled $1,345 million in 2011 compared to $2,109 million in the prior year. Most of the year-to-date decrease in new awards occurred in Civil and Materials operations following several large awards in 2010, including the construction of the Lower Mattagami hydroelectric complex in Ontario and the expansion of Quebec's Autoroute 30 which, at that time were two of Aecon's largest ever project awards.

It should be noted that Infrastructure reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. Consequently, since this method of accounting results in earnings (revenues less expenses) from equity accounted projects being reported as a single amount on Aecon's consolidated statement of income, the revenue component of backlog for these projects is not included in Aecon's reported revenues.

As discussed in the Consolidated Financial Highlights section, Aecon is a party to significant contracts and arrangements based on time and material, cost-plus, unit price, and supplier of choice and alliance agreements, which do not show up as reported backlog when the number of units or volume of work cannot be estimated with reasonable certainty. For example, reported backlog in Utilities and Aecon Mining only includes the value of specific work orders awarded to-date and, as a result, excludes the value of work managed under multi-year master service contracts where the client requests services on an as-needed basis and where no specific work order has yet been awarded. Therefore, the Infrastructure segment's effective backlog at any given time is greater than what is reported.

INDUSTRIAL

Financial Highlights

($ millions)	Three Months Ended December 31		Year Ended December 31	
	2011	2010	**2011**	2010
	$	$	$	$
Revenues	**276.4**	310.2	**1,120.5**	1,044.3
Gross profit	**41.8**	(30.3)	**119.0**	43.0
EBITDA	**23.5**	(38.0)	**57.6**	(4.4)
Segment operating profit (loss)	**20.3**	(41.8)	**42.6**	(17.5)
Segment operating margin	**7.3%**	(13.5)%	**3.8%**	(1.7)%
Backlog			**966**	666

For the year ended December 31, 2011, the Industrial segment reported revenues of $1,121 million compared to revenues of $1,044 million in the previous year, representing a $76 million or 7% increase. Most of the revenue increases occurred in Heavy Industrial operations, primarily in the commodities mining sector which more than offset lower revenues from site construction work in the oilsands.

For the three months and year ended December 31, 2011, the operating profit in the Industrial segment increased / (decreased) over the same periods last year as follows:

($ millions)	Three Months Ended December 31	Year Ended December 31
	$	$
Heavy Industrial (Construction and Fabrication)	64.6	57.6
Mechanical	(0.9)	2.5
IST	(1.6)	–
Increase in Industrial operating profit	**62.1**	**60.1**

For the year ended December 31, 2011, the majority of the Heavy Industrial year-over-year increase in operating profit came from operations in Western Canada, where a loss of $55 million in 2010 was recorded on the Suncor Firebag III Central Plant Facilities project. Heavy Industrial operations also reported higher operating profits from the above noted higher volumes in the commodity mining sector, and from higher margins from construction operations in Ontario. The improvement in Mechanical operating profits reflects generally higher margins in 2011.

Backlog at December 31, 2011 of $966 million was $300 million higher than last year primarily due to higher backlog in the Heavy Industrial operations. Overall, new contract awards of $1,421 million in 2011 were $610 million higher than in 2010. Most of the increase in new awards occurred in the Heavy Industrial operations, primarily in the commodities mining sector.

As discussed in the Consolidated Financial Highlights section, significant contracts awarded to Aecon based on time and material, cost-plus, and unit priced contracts, including supplier of choice and alliance agreements, do not show up as reported backlog when the number of units or volume of work cannot be estimated with reasonable certainty. Therefore, the Industrial segment's effective backlog at any given time is greater than what is reported.

CONCESSIONS

Financial Highlights

($ millions)	Three Months Ended December 31		Year Ended December 31	
	2011	2010	**2011**	2010
	$	$	$	$
Revenues	**10.6**	24.8	**81.2**	91.3
Gross profit	**6.3**	8.5	**31.8**	32.4
EBITDA	**5.0**	42.8	**39.3**	63.8
Segment operating profit (loss)	**4.1**	42.5	**35.9**	58.7
Segment operating margin	**38.7%**	171.4%	**44.2%**	64.3%

For the three months and year ended December 31, 2011, the operating profit in the Concessions segment increased / (decreased) over the same periods last year as follows:

($ millions)	Three Months Ended December 31	Year Ended December 31
	$	$
Quito Airport Concessionaire	(0.2)	1.7
Cross Israel Highway (CIH)		
Operations	(2.6)	(0.4)
Gain on sale of investment in operator of CIH in 2011	–	11.5
Gain on sale of long-term concession investment in 2010	(36.1)	(36.1)
Other	0.5	0.5
Decrease in Concessions operating profit	**(38.4)**	**(22.8)**

The increase in operating profits from the Quito airport concessionaire, which includes the results from operating the existing Quito airport while the new airport is being constructed, arises primarily from the impact of lower amortization charges following the extended opening date for the new airport. In February 2011, Aecon announced the successful finalization of the project's restructuring, that project financing had resumed, and that all defaults relating to the previous ruling by the Constitutional Court of Ecuador were waived. With the Quito airport project's restructuring finalized, construction activity ramped up in the first quarter of 2011 on the site, with completion of the new airport now scheduled for October 2012. At the end of the fourth quarter of 2011, construction was approximately 90% complete.

Approximately 5.4 million passengers departed through the existing Quito airport in 2011, a 7.5% increase over 2010. Operating profits from the operations of the existing Quito airport are required to be invested to finance the development and construction costs of the new airport.

A large contributor to the year-over-year decrease in operating profits for the Concessions segment is due to the previously noted $36.1 million pre-tax gain in 2010 from the sale of Aecon's 25% interest in the Cross Israel Highway concessionaire.

In the third quarter of 2011, Aecon sold its interest in Derech Eretz Highways Management Corporation Limited, the operator of the Cross Israel Highway, in which Aecon held a 30.6% interest, and sold its interests in several affiliates of the operator that operate other transportation infrastructure assets in Israel. The sale of the operator of the Cross Israel Highway caused most of the year-over-year decrease in revenues in the Concessions segment in 2011. Total proceeds from this transaction were $14 million. The resulting gain on sale was $11.5 million.

Aecon does not include in its reported backlog expected revenues from operations management contracts and concession agreements. As such, while Aecon expects future revenues from its concession assets, no concession backlog is reported.

QUARTERLY FINANCIAL DATA

Set out below are revenues, EBITDA, earnings (loss) before income taxes, profit (loss) attributable to shareholders, adjusted profit (loss) attributable to shareholders, earnings (loss) per share, and adjusted earnings (loss) per share for each of the most recent eight quarters:

(in millions of dollars, except per share amounts)

	2011				2010			
	Quarter 4	**Quarter 3**	**Quarter 2**	**Quarter 1**	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	$	$	$	$	$	$	$	$
Revenues	**790.3**	**835.4**	**758.4**	**512.0**	840.8	803.0	679.7	426.3
EBITDA	**73.6**	**74.5**	**29.0**	**(14.0)**	34.2	51.8	22.0	(2.5)
Earnings (loss) before income taxes	**46.7**	**52.0**	**2.2**	**(27.4)**	17.5	36.5	9.7	(7.7)
Profit (loss) attributable to shareholders	**36.7**	**41.7**	**0.7**	**(21.5)**	15.1	24.9	7.2	(5.3)
Adjusted profit (loss) attributable to shareholders	**36.9**	**39.5**	**4.1**	**(27.0)**	12.4	24.3	5.7	(11.3)
Earnings (loss) per share:								
Basic	**0.69**	**0.76**	**0.01**	**(0.39)**	0.27	0.46	0.13	(0.10)
Diluted	**0.49**	**0.49**	**0.01**	**(0.39)**	0.20	0.37	0.12	(0.12)
Adjusted earnings (loss) per share:								
Basic	**0.69**	**0.74**	**0.07**	**(0.49)**	0.22	0.45	0.10	(0.21)
Diluted	**0.49**	**0.49**	**0.07**	**(0.49)**	0.20	0.37	0.10	(0.21)

Earnings (loss) per share for each quarter has been computed using the weighted average number of shares issued and outstanding during the respective quarter. Any dilutive securities, which increase the earnings per share or decrease the loss per share, are excluded for purposes of calculating diluted earnings per share. Due to the impacts of share issuances throughout the periods and of dilutive securities, such as convertible debentures, the sum of the quarterly earnings (losses) per share will not equal the total for the year.

Revenues and operating profit (loss) by segment for the fourth quarters of 2011 and 2010 are set out in the table below:

($ millions)	Three months ended December 31			
	Revenue		Operating profit (loss)	
	2011	2010	**2011**	2010
	$	$	$	$
Infrastructure	**506.9**	525.3	**41.0**	25.6
Industrial	**276.4**	310.2	**20.3**	(41.8)
Concessions	**10.6**	24.8	**4.1**	42.5
Other costs and eliminations	**(3.6)**	(19.5)	**(8.6)**	(6.4)
Consolidated	**790.3**	840.8	**56.8**	19.9

The analysis of operating results for each of the first three quarters of 2011 is included in the Management Discussion and Analysis incorporated in the Interim Reports to Shareholders for each quarter.

In the Infrastructure segment, higher revenues in Mining were offset by lower revenues in Civil and Materials and Buildings. Revenues from Buildings operations of $116 million in the fourth quarter of 2011 decreased by $24 million compared to 2010.

Infrastructure segment operating results were favourably impacted in the fourth quarter of 2011 by improvements in Mining, Buildings and international operations. Mining results benefited from higher volumes of work compared to the same quarter in the previous year, while the improvement in Buildings operations, led by strong results in Ontario, reflects a return to profitability in the quarter for this operation. In Buildings, there was an operating profit of $7.6 million in the fourth quarter of 2011 compared to a loss of $0.6 million in 2010. The higher profits from international operations reflect the impact of the ramp up of construction activities starting in the first quarter of 2011 at the new Quito airport following the finalization of a revised commercial arrangement in early 2011.

Industrial segment revenues in the fourth quarter of 2011 were $276 million or $34 million lower than in 2010 with the majority of the decrease coming from operations in Western Canada. Most of the revenue decrease occurred in Heavy Industrial operations, primarily from site construction work in the oilsands, and partially offset by higher revenues from the commodities mining sector.

Operating profit in the Industrial segment of $20.3 million in the fourth quarter of 2011, increased by $62.1 million compared to the fourth quarter of 2010. As previously noted, a project loss of $55 million in 2010 on one project was responsible for the majority of the improvement. In addition, operating profits improved in Heavy Industrial operations from the above noted higher volumes in the commodities mining sector.

Revenues in the Concessions segment of $10.6 million in the fourth quarter of 2011 were down $14.2 million from the same quarter in 2010, with no revenues reported from the operator of the Cross Israel Highway following the sale of this business in the third quarter of 2011. An operating profit of $4.1 million for the fourth quarter of 2011 represents a $38.4 million decrease over the same quarter in the previous year due to the previously noted $36.1 million pre-tax gain in 2010 from the sale of Aecon's 25% interest in the Cross Israel Highway concessionaire and the sale in the third quarter of 2011 of Aecon's 30.6% interest in the operator of the Cross Israel Highway.

MG&A expense increased by $12.3 million in the fourth quarter of 2011 compared to 2010 and MG&A as a percent of revenues increased from 3.5% to 5.3%. The higher MG&A is primarily attributable to growth in the business and higher performance related incentive costs. Included in MG&A in the fourth quarter of 2010 was $4.3 million related to the one-time cost associated with the departure of a senior executive.

The $1.0 million pre-tax gain from the sale of assets and investments in 2011 resulted primarily from a gain in the Infrastructure segment from sales of surplus equipment. The $38.1 million pre-tax gain from the sale of assets and investments in 2010 resulted from a gain of $36.1 million in the Concessions segment from the sale of Aecon's investment in the Cross Israel Highway concession, and a $1.9 million gain from the sale of Aecon's investment in the common shares of Churchill Corporation.

Other losses of $2.5 million in the fourth quarter of 2011 resulted from the previously noted final settlement of a legal dispute.

Depreciation and amortization expense of $16.8 million in the fourth quarter of 2011 was $2.5 million higher than in 2010. This increase resulted primarily from higher depreciation charges on equipment relating to Infrastructure's Aecon Mining operations.

SELECTED ANNUAL INFORMATION

Set out below is selected annual information for each of the last three years.

($ millions, except per share amounts)[1]

	2011	2010	2009
	$	$	$
Total revenues	**2,896.2**	2,749.8	2,261.0
EBITDA	**163.1**	105.6	124.7
Operating profit	**100.5**	57.2	76.2
Net earnings	**57.6**	41.8	44.4
Per share:			
Basic	**1.07**	0.76	0.82
Diluted	**0.84**	0.57	0.80
Total assets	**1,984.1**	2,121.4	1,689.3
Total long-term financial liabilities	**702.4**	586.8	383.2
Cash dividends declared per common share	**0.20**	0.20	0.20

(1) Amounts presented for 2011 and 2010 are prepared in accordance with IFRS. 2009 balances are prepared in accordance with Canadian GAAP before the adoption of IFRS.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Aecon's investments in joint ventures where it has joint control, including the Quito airport concessionaire ("Quiport JV"), are accounted for by the proportionate consolidation method, whereby the consolidated financial statements reflect, line by line, Aecon's pro rata share of each of the assets, liabilities, revenues, expenses and cash flows of these joint ventures. Aecon is also involved in build finance projects with Infrastructure Ontario. Each of these build finance projects is being financed by non-recourse project debt during the construction period through the use of individual build finance special purpose vehicles ("Build Finance SPVs"). Aecon's participation in construction project entities where Aecon exercises significant influence over the entity, but does not control or jointly control the entity, are accounted for using the equity method. For further information, see Notes 14 and 28 in the 2011 consolidated financial statements.

CASH AND DEBT BALANCES

Cash balances at December 31, 2011 and 2010 are as follows:

($ millions)					December 31, 2011
		Balances Excluding Joint Ventures and Build Finance SPVs	Joint Ventures	Build Finance SPVs	Consolidated Total
		$	$	$	$
Cash and cash equivalents	(1)	**123**	**50**	**2**	**175**
Restricted cash	(2)	**6**	**40**	**–**	**46**
Marketable securities	(3)	**–**	**1**	**–**	**1**

					December 31, 2010
		Balances Excluding Joint Ventures and Build Finance SPVs	Joint Ventures	Build Finance SPVs	Consolidated Total
		$	$	$	$
Cash and cash equivalents	(1)	173	69	9	251
Restricted cash	(2)	6	52	–	58

(1) Cash and cash equivalents includes cash on deposit in joint venture bank accounts (other than cash in Quiport JV as noted in (2) below) which Aecon cannot access directly, as well as cash held by Build Finance SPVs, which was advanced by lenders to finance the construction of various Infrastructure Ontario build finance projects.

(2) Restricted cash includes cash that was deposited as collateral for letters of credit issued by Aecon or to secure future equity investment requirements in the Quiport JV, as well as cash held in Quiport JV.

(3) Marketable securities held by joint ventures consist of highly liquid interest bearing securities with maturities of up to one year.

Total long-term debt of $654 million at December 31, 2011 compares to $746 million at December 31, 2010, the composition of which is as follows:

($ millions)	**December 31 2011**	December 31 2010
	$	$
Current portion of long-term debt – non-recourse [(1)]	**56.7**	289.0
Current portion of long-term debt – recourse	**65.7**	50.5
Long-term debt – recourse	**137.1**	27.3
Long-term debt – non-recourse	**142.6**	129.4
Convertible debentures	**251.4**	249.8
Total long-term debt	**653.5**	746.0
Debt held directly	**459.7**	429.6
Debt held by Build Finance SPVs	**48.4**	207.2
Debt of joint ventures [(2)]	**145.4**	109.2
Total long-term debt	**653.5**	746.0
Long-term debt - non-recourse	**193.8**	316.3
Long-term debt - recourse	**208.3**	179.9
Convertible debentures	**251.4**	249.8
Total long-term debt	**653.5**	746.0

(1) At December 31, 2010, the current portion of long-term debt – non-recourse included Quito airport project debt which had been classified as current debt following the Constitutional Court of Ecuador's Airports Ruling in the third quarter of 2009. Following the finalization of a revised commercial agreement in 2011, all amounts due beyond 12 months are now classified as long-term debt – non-recourse at December 31, 2011.

(2) At December 31, 2011, $141 million of joint venture debt was held by Quiport JV.

Of the $92 million net decrease in debt, $123 million relates to a decrease in non-recourse project financing offset by a $28 million increase in recourse debt. Changes in non-recourse long-term debt included a decrease in non-recourse project debt on completed and ongoing Infrastructure Ontario Build Finance SPV projects of $155 million, offset by an increase of $32 million resulting from the proportionate consolidation of Aecon's share of non-recourse borrowings to finance the Quito airport project. Increases in recourse debt related primarily to increases in equipment loans and lease obligations, mostly in Infrastructure's mining operations.

Convertible debentures increased by $1.6 million during the year. The increase resulted from a $5.9 million increase related to the accretion of notional interest on the debentures, partially offset by a $4.3 million decrease in the fair value attributed to the embedded derivative component of the convertible debentures. The embedded derivative represents the value attributed to the holders' option to convert the debentures into common shares of Aecon.

Aecon's liquidity position and capital resources are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. In addition to a significant cash balance on hand at December 31, 2011, Aecon's liquidity position is strengthened by its ability to draw on a committed bank operating line of $262.5 million, which, except for supporting letters of credit amounting to $47 million, was otherwise undrawn as of December 31, 2011. In the third quarter of 2011, Aecon renegotiated the terms of its revolving bank operating line. As part of this amendment, borrowing rate spreads on loans and letters of credit were lowered and the size of the credit facility was reduced from $300 million to $262.5 million. At December 31, 2011, Aecon was in compliance with the financial debt covenants related to its credit facility.

On March 14, 2011, Aecon announced its intention to make a normal course issuer bid (the "NCIB") commencing on March 16, 2011 and expiring March 15, 2012. During the period, Aecon is permitted to acquire up to 5,527,277 common shares being approximately 10% of the issued and outstanding common shares at the time of announcement of the NCIB. From March 16, 2011 to December 31, 2011, Aecon acquired an aggregate of 1,424,900 common shares for a total cost of $12.0 million, all of which were subsequently cancelled.

An annual dividend of $0.20 per share was paid in 2011 consisting of quarterly payments of $0.05 per share. Quarterly dividends of $0.05 per share continue to be paid in 2012.

At December 31, 2011, the remaining equity Aecon is required to invest in Quiport JV is approximately US$11 million, the majority of which reflects compensation to the Quito airport construction joint venture for the impact of delay costs associated with the construction of the new Quito airport. In addition, Quiport JV is required to invest earnings from operating the existing airport into construction of the new Quito airport. As of December 31, 2011, Aecon's total investment in Quiport JV was approximately US$107 million. Of this amount, US$53 million was invested through direct equity contributions and the balance of US$54 million through the reinvestment of Aecon's share of the earnings of the existing airport. Aecon has also deposited US$4 million with EDC to support letters of credit issued by EDC on the Quito airport project. These EDC deposits are included in restricted cash on the Consolidated Balance Sheet at December 31, 2011.

SUMMARY OF CASH FLOWS

	Consolidated Cash Flows	
($ millions)	**Year ended December 31, 2011**	Year ended December 31, 2010
	$	$
Cash provided by (used in):		
Operating activities	**197.5**	(98.2)
Investing activities	**(98.3)**	(152.6)
Financing activities	**(174.7)**	161.0
Increase (decrease) in cash and cash equivalents	**(75.5)**	(89.9)
Effects of foreign exchange on cash balances	**(0.2)**	(0.1)
Cash and cash equivalents – beginning of year	**250.9**	340.9
Cash and cash equivalents – end of year	**175.2**	250.9

The construction industry in Canada is seasonal in nature for companies like Aecon who perform a significant portion of their work outdoors, particularly road construction and utilities work. As a result, a larger portion of this work is performed in the summer and fall months than in the winter and early spring months. Accordingly, Aecon has historically experienced a seasonal pattern in its operating cash flow, with cash balances typically being at their lowest levels in the middle of the year as investments in working capital increase. These seasonal impacts typically result in cash balances usually peaking near year end or in the first quarter of the year.

Operating Activities

Cash provided by operating activities of $198 million in 2011 compares with cash used by operating activities of $98 million in the previous year. The $296 million increase in cash provided in the year resulted mostly from a decrease in working capital investments primarily within build finance projects. As these projects are completed or as project billing milestones are reached, previous unbilled amounts are billed and converted to cash. This cash is then used to repay non-recourse project financing related to these projects (see the discussion under Financing Activities below). Also, a $71 million reduction in income taxes paid contributed to the increase in cash provided by operating activities year-over-year. This improvement resulted mainly from refunds of income tax instalments previously paid and refunds received from income tax loss carrybacks to prior periods.

Investing Activities

In 2011, investing activities resulted in a use of cash of $98 million, which compares with cash used of $153 million in the same period of 2010. Of the cash used in 2011, $83 million represented Aecon's proportionate share of the investment made by Quiport JV in the construction of the new Quito airport (i.e. increase in concession rights). Also,

$37 million of cash was used for capital expenditures (net of sales) on property, plant and equipment. Of the cash used in 2010, $180 million represented Aecon's purchase of the assets of Cow Harbour, $22 million represented Aecon's proportionate share of the investment made by Quiport JV in the construction of the new Quito airport, and $30 million represented capital expenditures, net of sales, on property, plant and equipment. Partly offsetting these cash outflows in 2010 was $82 million of cash proceeds on the sale of Aecon's interest in the Cross Israel Highway concessionaire.

In 2011, Aecon acquired, either through purchases or finance leases, property, plant and equipment totalling $111 million. Most of these investments in property, plant and equipment occurred in the Infrastructure segment with the largest component representing major overhauls on heavy mining equipment. In 2010, investments in property, plant and equipment (excluding the initial acquisition of Cow Harbour's assets) totalled $65 million, again with most of the spending occurring in the Infrastructure segment.

Financing Activities
In 2011, cash used by financing activities amounted to $175 million, compared to cash provided of $161 million in the same period of the previous year. During 2011, issuances of long-term debt amounted to $103 million, while repayments totalled $245 million, for a net outflow of $142 million. The majority of the debt repayments related to non-recourse project financing for Build Finance SPVs associated with various Infrastructure Ontario build finance projects. This compares to net borrowings of other long-term debt totalling $95 million in 2010. Also, $8 million was used in 2011 to purchase Aecon common shares for the Company's Long-Term Incentive Plan and $12 million for share purchases under the Company's normal course issuer bid. In 2010, $10 million was used to purchase common shares for the Company's Long-Term Incentive Plan. Dividends of $11 million were paid in each of 2011 and 2010.

NEW ACCOUNTING STANDARDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian publicly accountable enterprises were required to adopt IFRS effective for fiscal years beginning on or after January 1, 2011. The December 31, 2011 consolidated financial statements are Aecon's first annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The referenced statements present the financial results for the year ended December 31, 2011, with comparative information.

Impact of changes in accounting standards
Changes in accounting standards as a result of the transition to IFRS and their impact on the Company's previously reported Canadian GAAP financial position and results of operations are presented in note 4 to the consolidated financial statements.

Included in note 4 to the December 31, 2011 consolidated financial statements are:

// Reconciliations in the IFRS presentation format of the consolidated financial statements under previously reported Canadian GAAP and the consolidated financial statements under IFRS for:
- The consolidated balance sheet as at January 1, 2010 (the transition date to IFRS);
- The consolidated balance sheet as at December 31, 2010;
- The consolidated income statement for the year ended December 31, 2010; and
- The consolidated statement of comprehensive income for the year ended December 31, 2010.

// Notes to reconciliations providing narrative disclosures describing differences between the standards applied by the Company under previously reported Canadian GAAP and IFRS.

Significant accounting policy choices
As part of the transition to IFRS, Aecon was required to determine the accounting policies that would be applied going forward under a new set of accounting standards. While many of the Company's accounting policies remain the same, or similar, due to the fact that IFRS and Canadian GAAP had already converged in many areas, there were areas where IFRS provided a policy choice that did not previously exist under Canadian GAAP.

Joint ventures – The Company performs many construction contracts through jointly controlled entities. There is a mutual benefit to the venturers as a result of such an arrangement which allows the venturers to perform contracts they may not otherwise be able to perform on their own. Under IFRS, an entity has the choice to account for jointly controlled entities using either proportionate consolidation or equity accounting. Under previously reported Canadian GAAP, jointly controlled entities were accounted for using proportionate consolidation.

The Company has chosen under IFRS to continue to use proportionate consolidation in accounting for its jointly controlled entities. Performing construction contracts is the main operating activity of the Company. Continuing to use proportionate consolidation to account for these jointly controlled entities allows the Company to continue to record line by line, Aecon's pro rata share of each of the assets, liabilities, revenues, expenses and cash flows of these joint ventures. Not only does this maintain consistency with the Company's prior accounting policy under Canadian

GAAP but the Company believes this accounting treatment best reflects the underlying operational activity related to performing these contracts. This increased visibility is important given the Company is actively involved in the day-to-day performance and management of these contracts, in addition to the strategic management of these jointly controlled entities. Under the equity method, the Company would simply recognize the net profit or loss from performing these contracts.

Employee benefits – The re-measurement at each balance sheet date of defined benefit plan assets and defined benefit obligations gives rise to actuarial gains and losses. There are three permissible methods under IFRS for recognizing actuarial gains and losses. An entity has the choice to recognize actuarial gains and losses by following the "corridor method", by recognizing actuarial gains and losses directly to other comprehensive income as they occur, or by recognizing actuarial gains and losses immediately in profit or loss. The corridor method allows an entity to defer actuarial gains and losses and amortize them into profit or loss over the expected average remaining working lives of the employees participating in the pension plan.

The Company has chosen to recognize all actuarial gains and losses directly to other comprehensive income as they occur. This policy choice applies to all defined benefit pension plans.

The Company selected this accounting policy as it is expected to result in a more consistent pension expense in profit or loss going forward. Without the volatility of actuarial gains and losses affecting profit or loss, the expense recognized relating to the defined benefit pension plan will more directly relate to the current service cost of the pension plan.

Property, plant and equipment – Under IFRS, an entity can either account for its property, plant and equipment ("PPE") using the historical cost method or the revaluation method. The revaluation method results in measuring PPE at fair value at regular intervals with increases in fair value being recognized through a reserve in equity. Decreases in fair value are recognized through the same reserve to the extent of previous fair value increases recognized, and then to profit or loss.

Since the Company utilizes the majority of its PPE in the performance of construction projects, and does not acquire PPE for the purpose of reselling it or with a view to making a profit on sale of the equipment after use, the Company has chosen to continue using the historical cost method to account for PPE.

Elections used on first-time adoption of IFRS

As a general guideline during the first-time adoption of IFRS, an entity is required to apply IFRS fully and retrospectively. However, IFRS 1 "First-Time Adoption of International Financial Reporting Standards" allows adopters to depart from the full retrospective application requirements in certain cases.

The details of the exemptions elected and exceptions applied, and their effect on the Company's first set of IFRS financial statements, are presented in note 4 of the interim consolidated financial statements.

The Company elected to use the following three exemptions provided by IFRS 1:

1) Business combinations
2) Cumulative translation differences
3) Cumulative actuarial gains and losses

The first exemption elected relates to business combinations. The exemption under IFRS 1 allows an entity to apply IFRS 3 "Business Combinations" prospectively from the date of transition. The Company elected to do this to avoid restating prior business combinations where historical information would be difficult or, in some cases, impossible to obtain.

The second exemption elected relates to the Company's cumulative translation gains and losses account. IFRS 1 allows an entity to reset the balance of the account to zero on transition to IFRS. As a result, the balance of the account was charged to retained earnings on transition. Without this election, the Company would be forced to re-measure the cumulative translation gains and losses resulting from any foreign entities on an IFRS basis. This would require retroactively restating the entities results to IFRS for each reporting period since formation or acquisition and translating those results at each reporting period in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". The Company elected to take this exemption to avoid this requirement which would necessitate significant effort for little benefit to the users of the Company's financial statements.

The third exemption relates to the Company's cumulative actuarial gains and losses for its defined benefit pension plans under IAS 19: "Employee Benefits". The election under IFRS 1 allows an entity to recognize its cumulative actuarial gains and losses to retained earnings at the transition date. The Company elected to take this exemption to be consistent with its accounting policy choice relating to actuarial gains and losses, discussed above.

Changes in financial performance relating to the adoption of different accounting standards

Overall, the accounting policy choices made, and required accounting treatments followed, on transition to IFRS are in line with the underlying business activities of the Company's operations.

However, one particular accounting treatment required under IFRS is expected to give rise to significant volatility in Aecon's reported financial results. The Company believes this volatility is not a direct result of the underlying operations or performance of the Company but rather results from the application of a new accounting standard.

IFRS requires a holder's option to convert debt to equity under the Company's convertible debentures to be accounted for as an embedded derivative liability. This accounting treatment is required because the terms of the contract allow the Company to settle the holder's option to convert with cash as opposed to shares on exercise of the option. Under IFRS, a derivative liability must be measured at fair value at each reporting date with changes in the fair value being booked to profit or loss. Generally, the fair value of the embedded derivative liability fluctuates with the Company's share price and remaining life of the option. When the fair value of the embedded derivative liability increases, this triggers a non-cash fair value adjustment loss. Similarly, when the fair value of the embedded derivative liability decreases, this triggers a non-cash fair value gain.

Depending on the change in fair value of embedded derivative liability from one reporting period to the next, the Company could be required to recognize significant non-cash fair value gains or losses in profit or loss relating to the embedded derivative liability. These gains or losses do not reflect a conversion of the option or a settlement of the related debt. Rather, they solely reflect the requirement to measure the embedded derivative liability at its fair value on the reporting date. As a result, Aecon has created the Adjusted Profit (Loss) Attributable To Shareholders measure to exclude this impact (see the Non-GAAP Measures section of this MD&A).

SUPPLEMENTAL DISCLOSURES

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2011. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2011 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the financial year ended December 31, 2011. Based on that evaluation, the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective as at December 31, 2011 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. In designing and implementing such controls, it should be recognized that any system of internal control over financial reporting, no matter how well designed and operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect all misstatements due to error or fraud.

See also the section on "Internal and Disclosure Controls" in the Risk Factors section of this MD&A.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

Except as noted below, there have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

During the year, the Company continuously updated its internal controls as necessary to address new and ongoing reporting requirements under IFRS. For the most part, the Company either introduced additional review procedures or modified existing monitoring controls with respect to certain processes or areas of financial reporting impacted by the new standards. For example, review procedures and controls were enhanced for the assessment of impairment indicators, equipment component accounting assessment, and certain additional disclosure requirements in the notes to IFRS financial statements.

CONTRACTUAL OBLIGATIONS

Aecon has commitments for equipment and premises under operating leases and has principal repayment obligations under long-term debt as follows:

($ millions)	Lease Payments	Non-Recourse Project Debt	Other Long-Term Debt	Convertible Debentures(1)
	$	$	$	$
2012	15.4	68.3	74.0	–
2013-2016	28.1	86.5	151.6	264.5
Beyond	11.5	100.1	4.2	–
	55.0	**254.9**	**229.8**	**264.5**

(1) Assumes all convertible debentures are redeemed at maturity for cash.

At December 31, 2011, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $2,390 million.

OFF-BALANCE SHEET ARRANGEMENTS

In connection with its joint venture operations in Quito, Aecon has provided various financial and performance guarantees and letters of credit, which are described in note 25 to the Company's 2011 consolidated financial statements.

Aecon's defined benefit pension plans (the "Pension Plans") had a combined deficit of $8.5 million at December 31, 2011 (2010 - $4.8 million). Details relating to Aecon's defined benefit plans are set out in note 24 to the 2011 consolidated financial statements.

The latest actuarial valuation of the Pension Plans for statutory and contribution purposes was completed as at December 31, 2010. Under current pension benefits regulations, the next actuarial valuation of the Pension Plans must be performed with a valuation date of no later than December 31, 2013. Accordingly no change in contributions will be required before 2013 and any change thereafter will reflect December 31, 2013 market conditions.

The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future accounting valuations. Consequently, the accounting for pension plans involves a number of assumptions including those that are disclosed in note 24 to the consolidated financial statements. As a result of the uncertainty associated with these estimates, there is no assurance that the plans will be able to earn the assumed rate of return on plan assets, and furthermore, market driven changes may result in changes to discount rates and other variables which would result in Aecon being required to make contributions to the plans in the future that may differ significantly from estimates. As a result, there is a significant amount of measurement uncertainty involved in the actuarial valuation process. This measurement uncertainty may lead to potential fluctuations in financial results attributable to the selection of actuarial assumptions and other accounting estimates involved in the determination of pension expense and obligations. Two of the more significant actuarial and accounting assumptions impacting the reporting of pension plans are the discount rate assumption and the expected return on assets assumption. As at December 31, 2011, Aecon has used a discount rate of 4.25% and an expected return on assets of 5.75% in its pension plan calculations for financial statement purposes. The impact of a 0.5% decrease in both the discount rate and the expected return on assets assumptions would have resulted in an increase in the Pension Benefit Obligation of approximately $2.1 million at December 31, 2011 and an increase in the estimated 2012 pension expense of approximately $0.3 million.

From time to time Aecon enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. At December 31, 2011, the Company had outstanding contracts to buy and/or sell U.S. dollars or euros on which there was a net unrealized exchange gain of $0.2 million. The net unrealized exchange gain represents the estimated net amount the Company would have received if it terminated its foreign exchange contracts at December 31, 2011. Financial instruments are discussed in note 36 to the 2011 consolidated financial statements.

Further details of contingencies and guarantees are included in the 2011 consolidated financial statements.

RELATED PARTY TRANSACTIONS

There were no significant related party transactions in 2011.

CRITICAL ACCOUNTING ESTIMATES

By its nature, accounting for construction contracts requires the use of estimates. Revenue and income from fixed price construction contracts, including contracts in which Aecon participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. Aecon has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However, due to unforeseen changes in the nature or cost of the work to be completed or performance issues, contract profit can differ significantly from earlier estimates.

Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. For such change orders, contract revenues are recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Therefore, to the extent that actual costs recovered are different from expected cost recoveries, significant swings in revenue and profitability can occur from one reporting period to another.

Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that Aecon seeks to collect from clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. In accordance with Aecon's accounting policy, claims are recognized in revenue only when resolution is highly probable. Therefore, it is possible for Aecon to have substantial contract costs recognized in one accounting period with associated revenue recognized only in a later period.

In the preparation of the consolidated financial statements, various other estimates are required, which are either subjective, could be materially different under different conditions or using different assumptions, or which require complex judgments. The more significant estimates are related to the accounting for income taxes, concession rights to operate the existing Quito airport, employee benefit plans and the accounting for pension expense, the allocation of the purchase price to the fair value of assets acquired and liabilities assumed on acquisitions, budget-related estimates used in testing goodwill and other assets for impairment, and estimates relating to the valuation of derivatives and fair valuing of financial instruments. The Company's accounting for income taxes is described in note 23 to the 2011 consolidated financial statements and under Tax Accrual Risks in the following section of the MD&A, entitled Risk Factors. The significant actuarial assumptions used in accounting for pension expense are set out in note 24 to the 2011 consolidated financial statements and are discussed above in the Off-Balance Sheet Arrangements section of the MD&A.

RISK FACTORS

The following risk factors, and the information incorporated by reference herein, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

LARGE PROJECT RISK

A substantial portion of Aecon's revenues are derived from large projects, some of which are conducted through joint ventures. These projects provide opportunities for significant revenue and profit contributions but, by their dynamic nature, carry significant risk and, as such, can and have occasionally resulted in significant losses. As a result of the existing infrastructure deficit throughout Canada a significant number of large projects are expected to be tendered over the next several years. In addition to a growing involvement in large projects in response to changing market conditions, Aecon is also active in the Public Private Partnership ("P3") market in Canada. The P3 procurement model typically involves a transfer of certain risks to a contractor beyond those contained in a conventional fixed price contract. As such, a failure to properly execute and complete a P3 project may subject Aecon to significant losses. The risks associated with such projects are often proportionate to their size and complexity thereby placing a premium on risk assessment and project execution.

Joint ventures are often formed to undertake a specific project, jointly controlled by the partners and are dissolved upon completion of the project. Aecon selects its joint venture partners based on a variety of criteria including relevant expertise, past working relationships as well as analysis of prospective partners' financial and construction capabilities. Joint venture agreements spread risk between the partners and they generally state that companies supply their proportionate share of operating funds and that they share profits and losses in accordance with specified percentages. Nevertheless, each participant in a joint venture is usually liable to the client for completion of the entire project in the event of a default by any of its partners. Therefore, in the event that a joint venture partner fails to perform its obligations due to financial or other difficulties, Aecon may be required to make additional investments or provide additional services which may reduce or eliminate profit, or even subject Aecon to significant losses with respect to the joint venture. As a result of the complexity and size of such projects that Aecon has pursued over the last few years or is likely to pursue going forward, the failure of a joint venture partner on a larger, more complex project could have a more dramatic impact on Aecon's results.

The contract price on large projects is based on cost estimates using a number of assumptions. Given the size of these projects, if these assumptions prove incorrect, whether due to faulty estimates, unanticipated circumstances, or a failure to properly assess risk, profit may be materially lower than anticipated or, in a worst case scenario, result in a significant loss.

The recording of the results of large project contracts can distort revenues and earnings on both a quarterly and an annual basis and can, in some cases, make it difficult to compare the financial results between reporting periods. For greater detail of the potential impact of contractual factors, including unpriced change orders, please see "Contractual Factors" under "Risk Factors".

Aecon has a number of commitments and contingencies. If Aecon was called upon to honour these contingent obligations, its financial results would be adversely affected. See note 25 "Contingencies" and note 26 "Commitments Under Non-Cancellable Operating Leases" to the 2011 consolidated financial statements.

The failure to replace the revenue generated from these large projects on a going forward basis could adversely affect Aecon.

CONTRACTUAL FACTORS

Aecon performs construction activities under a variety of contracts including lump-sum, fixed price, guaranteed maximum price, cost reimbursable and design build. Some forms of construction contracts carry more risk than others.

Historically, a substantial portion of Aecon's revenue is derived from lump sum contracts pursuant to which a commitment is provided to the owner of the project to complete the project at a fixed price ("Lump Sum") or guaranteed maximum price ("GMP"). In Lump Sum and GMP projects, in addition to the risk factors of a unit price contract (as described below), any errors in quantity estimates or schedule delays or productivity losses, for which contracted relief is not available, must be absorbed within the Lump Sum or GMP, thereby adding a further risk component to the contract. Such contracts, given their inherent risks, have from time to time resulted in significant losses on projects. The failure to properly assess a wide variety of risks, appropriately execute such contracts or contractual disputes, may have an adverse impact on financial results.

Aecon is also involved in fixed unit price construction contracts under which the Company is committed to provide services and materials at a fixed unit price (e.g. dollars per tonne of asphalt or aggregate). While this shifts the risk of estimating the quantity of units to the contract owner, any increase in Aecon's cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect Aecon's profitability.

In certain instances, Aecon guarantees to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, Aecon could incur additional costs or penalties commonly referred to as liquidated damages. Although Aecon attempts to negotiate waivers of consequential or liquidated damages, on some contracts the Company is required to undertake such damages for failure to meet certain contractual provisions. Such penalties may be significant and could impact Aecon's financial position or results of future operations. Furthermore, schedule delays may also reduce profitability because staff may be prevented from pursuing and working on new projects. Project delays may also reduce customer satisfaction which could impact future awards.

Aecon is also involved in design-build contracts or certain contracts for owners such as Infrastructure Ontario where, in addition to the responsibilities and risks of a unit price or lump sum construction contract, Aecon is responsible for certain aspects of the design of the facility being constructed. This form of contract adds the risk of Aecon's liability for design errors as well as additional construction costs that might result from such design errors.

Certain of Aecon's contractual requirements may also involve financing elements, where Aecon is required to provide one or more letters of credit, performance bonds, financial guarantees or equity investments. There can be no assurance on a going forward basis that Aecon will be able to obtain the necessary financing on favourable or commercially reasonable terms and conditions for such equity investments, nor that its working capital and bonding facilities will be adequate in order to issue the required letters of credit and performance bonds. See "Access to Bonding, Pre-qualification Rating and Letters of Credit" under "Risk Factors" herein.

Change orders, which modify the nature or quantity of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed. As such, disputes regarding the quantum of unpriced change orders could impact Aecon's profitability on a particular project, ability to recover costs or in a worst case scenario result in significant project losses. Until pricing has been agreed, these change orders are referred to as "unpriced change orders." Revenues from unpriced change orders are recognized to the extent of the costs incurred on executing the change order, or if lower, to the extent to which recovery is probable. Only when pricing is agreed is any profit on such change orders recognized. If, ultimately, there are disputes with clients on the pricing of change orders or disputes regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, Aecon's accounting policy is to record all costs for these changes but not to record any revenues anticipated from these disputes until resolution is highly probable. The timing of the resolution of such events can have a material impact on income and liquidity and thus can cause fluctuations in the revenue and income of Aecon in any one reporting period.

AECON OPERATES IN A HIGHLY COMPETITIVE INDUSTRY

Aecon operates businesses in highly competitive product and geographic markets in Canada, the United States and internationally. Aecon competes with other major contractors, as well as many mid-size and smaller companies, across a range of industry segments. In addition, an increase in international companies entering into the Canadian marketplace has also made the market more competitive. Each has its own advantages and disadvantages relative to Aecon. New contract awards and contract margin are dependent on the level of competition and the general state of the markets in which the Company operates. Fluctuations in demand in the segments in which the Company operates may impact the degree of competition for work. Competitive position is based on a multitude of factors including pricing, ability to obtain adequate bonding, backlog, financial strength, appetite for risk, and reputation for quality, timeliness and experience. Aecon has little control over and cannot otherwise affect these competitive factors. If the Company is unable to effectively respond to these competitive factors, results of operations and financial condition will be adversely impacted. In addition, a prolonged economic slump or slower than anticipated recovery may affect one or more of Aecon's competitors or the markets in which it operates, resulting in increased competition in certain market segments, price or margin reductions or decreased demand for services, which may adversely affect results.

CONCESSIONAIRE RISK

In addition to providing design, construction, procurement, operation and other services on a given project, Aecon will sometimes invest as a concessionaire in an infrastructure asset. In such instances, Aecon assumes a degree of risk (essentially equity risk) associated with the financial performance of the asset during the concession period. The Quito Airport Project is a current example of such a project.

The financing arrangements on concession projects such as the Quito Airport Project are typically based on a set of projections regarding the cash flow to be generated by the asset during the life of the concession. The ability of the asset to generate the cash flows required to provide a return to the concessionaire can be influenced by a number of factors, some of which are partially beyond the concessionaire's control, such as, among others, political or legislative changes, traffic demand and thus operating revenues, collection success and operating cost levels.

While project concession agreements often provide a degree of risk mitigation, and insurance products are available to limit some of the concession risks, the value of Aecon's investment in these infrastructure assets can be impaired, and certain limited risk guarantees can be called, if the financial performance of the asset does not meet certain requirements.

On a going forward basis, a slower than anticipated recovery or future economic downturn, may directly or indirectly, impact the ability of Aecon to make the necessary financing arrangements to pursue all of the concession opportunities it would otherwise be interested in.

RESOURCES AND COMMODITIES SECTOR

In recent years, delays, scope reductions and/or cancellations in previously announced or anticipated projects in the Alberta oilsands demonstrated that economic activity in the resources and commodities sector could be impacted by a variety of factors. General factors include: the pricing of oil, potash and other commodities; market volatility; the impact of global economic conditions affecting demand or the worldwide financial markets; cost overruns on announced projects; efforts by owners to contractually shift risk for cost overruns to contractors; fluctuations in the availability of skilled labour; lack of sufficient governmental infrastructure to support growth; the potential introduction of new "green" legislation; negative perception of the Alberta oilsands and its potential environmental impact as well as a shortage of sufficient pipeline capacity to transport production to major markets. Given the volatility of world oil prices, a sustained period of low world oil prices on a go forward basis may result in material differences in previously projected oilsands development. Postponements or cancellations of investment in existing and new projects could have an adverse impact on Aecon's business and financial condition.

LABOUR FACTORS

A significant portion of Aecon's labour force is unionized and accordingly, Aecon is subject to the detrimental effects of a strike or other labour action, in addition to competitive cost factors.

The Company's future prospects depend to a significant extent on its ability to attract sufficient skilled workers. The construction industry is faced with an increasing shortage of skilled labourers in some areas and disciplines, particularly in remote locations that require workers to live in temporary "camp" environments. The resulting competition for labour may limit the ability of the Company to take advantage of opportunities otherwise available or alternatively may impact the profitability of such endeavours on a going forward basis. The Company believes that its union status, size and industry reputation will help mitigate this risk but there can be no assurance that the Company will be successful in identifying, recruiting or retaining a sufficient number of skilled workers.

SUBCONTRACTOR PERFORMANCE

The profitable completion of some contracts, primarily within Aecon's Buildings business unit, depends to a large degree on the satisfactory performance of the subcontractors as well as design and engineering consultants who complete different elements of the work. If these subcontractors do not perform to accepted standards, Aecon may be required to hire different subcontractors to complete the tasks, which may impact schedule, add costs to a contract, may impact profitability on a specific job, and in certain circumstances, lead to significant losses. A major subcontractor default or failure to properly manage subcontractor performance could materially impact results.

INTERNATIONAL/FOREIGN JURISDICTION FACTORS

Aecon is from time to time engaged in large international projects in foreign jurisdictions. International projects such as the Quito Airport Project in Ecuador can expose Aecon to risks beyond those typical for its activities in its home market, including without limitation economic, geopolitical, geotechnical, military, repatriation of undistributed profits, currency and foreign exchange risks, and other risks beyond the Company's control including the duration and severity of the impact of the recent global economic downturn. On a smaller scale, Aecon is also exposed to similar risks through its wholly-owned subsidiary IST, which has projects in many countries around the world.

The Company holds a 42.3% effective economic interest in Quiport JV, an Ecuadorian company administering the Quito Airport Project concession, which includes: (a) managing and operating the Existing Quito Airport until its operations are transferred to a new airport; and (b) the development, financing, construction, operation and maintenance of the New Quito Airport under a concession arrangement with the Municipality of Quito. In connection with the Quito Airport Project, the Company has made equity investments and provided letters of credit in support of its remaining equity obligations and for various project contingencies. These letters of credit are supported by guarantees issued on behalf of the Company to the issuing banks by Export Development Canada ("EDC") and will remain in place until its equity obligations are fulfilled and the conditions giving rise to the contingencies are satisfied or cleared. See note 25 "Contingencies" in the 2011 consolidated financial statements for additional details. In addition, the Company and its joint venture partners have provided surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations, an advance payment bond and a retention release bond. In each case, the Company's share is supported by guarantees issued by EDC. If Aecon was called upon to honour these obligations, or should the project incur significant cost overruns, its financial results and position would be adversely impacted.

Aecon continually evaluates its exposure to unusual risks inherent in international projects and, where deemed appropriate in the circumstances, mitigates these risks through specific contract provisions, insurance coverage and forward exchange agreements. However, there are no assurances that such measures would offset or materially reduce the effects of such risks.

Foreign exchange risks are actively managed and hedged where possible and considered cost effective, when directly tied to quantifiable contractual cash flows accruing directly to Aecon within periods of one or two years. Major projects executed through joint ventures generally have a longer term and result in foreign exchange translation exposures that Aecon has not hedged. Such translation exposure will have an impact on Aecon's consolidated financial results. Practical and cost effective hedging options to fully hedge this longer term translational exposure are not generally available.

Aecon's investment in the Quiport JV is denominated in U.S. dollars and, as such, the value of this investment fluctuates with the relationship between the Canadian dollar and the U.S. dollar. For further information on currency risk, see note 36 "Financial Instruments" in the 2011 consolidated financial statements.

MARKET VOLATILITY

The volatility created by the global financial and European sovereign debt crises damaged investor confidence in global equity markets and negatively impacted the value of publicly-traded securities of many companies. The duration and severity of these crises remain unpredictable and continue to pose risks beyond Aecon's control including currency and foreign exchange rates, interest rates, inflation, liquidity, economic growth, trade flows, business investment and capital expenditures, corporate earnings, government spending, and commodity price risks.

ECONOMIC FACTORS

Aecon's profitability is closely tied to the general state of the economy in those geographic areas in which it operates. More specifically, the demand for infrastructure, which is the principal component of Aecon's operations, is perhaps the largest single driver of the Company's growth and profitability.

In North America, which tends to have relatively sophisticated infrastructure, Aecon's profitability is dependent both on the development, rehabilitation and expansion of basic infrastructure (such as, among others, highways, airports, dams and hydroelectric plants) and on the type of infrastructure that flows from commercial and population growth. Commercial growth demands incremental facilities for the movement of goods within and outside of the community, along with water and sewer systems and heat, light and power supplies. Population growth creates a need to move people to and from work, schools and other public facilities, and demands similar services to new homes. Since growth in both these areas, with the possible exception of road maintenance and construction, is directly affected by the general state of the local economy, a prolonged economic downturn in the markets in which Aecon operates or related constraints on public sector funding, including as a result of government deficits, may have a significant impact on Aecon's operations.

ONGOING FINANCING AVAILABILITY

Aecon's business strategy involves the selective growth of its operations through internal growth and acquisitions. Certain of Aecon's operating segments, particularly its Infrastructure and Industrial segments, require substantial working capital during their peak busy periods. As these businesses grow, Aecon is continually seeking to enhance its access to funding in order to finance the higher working capital associated with this growth. However, given the expected demand for infrastructure services over the next several years and the size of many of these projects, Aecon may be constrained in its ability to capitalize on growth opportunities to the extent that financing is either insufficient or unavailable.

ACCESS TO BONDING, PRE-QUALIFICATION RATING AND LETTERS OF CREDIT

Many of Aecon's construction contracts require sufficient bonding, pre-qualification rating or letters of credit. The surety industry has endured a certain degree of instability and uncertainty arising from the recent economic downturn, the long-term effects of which may constrain overall industry capacity. Furthermore, the issuance of bonds under surety facilities is at the sole discretion of the surety company on a project by project basis. As such, even sizeable surety facilities are no guarantee of surety support on any specific individual project. Although the Company believes it will be able to continue to maintain surety capacity adequate to satisfy its requirements, should those requirements be materially greater than anticipated, or should sufficient surety capacity not be available to Aecon or its joint venture partners (See "Large Project Risk" under "Risk Factors" herein) for reasons related to an economic downturn or otherwise or should the cost of bonding rise substantially (whether Aecon specific or industry wide), this may have an adverse effect on the ability of Aecon to operate its business or take advantage of all market opportunities. The Company also believes that it has sufficient capacity with respect to letters of credit to satisfy its requirements, but should these requirements be materially greater than anticipated or should industry capacity be materially impacted by domestic or international conditions unrelated to Aecon, this may have an adverse effect on the ability of Aecon to operate its business.

INSURANCE RISK

Aecon maintains insurance in order to both satisfy the requirements of its various construction contracts as well as a corporate risk management strategy. Insurance products from time to time experience market fluctuations that can impact pricing and availability. Therefore, senior management, through Aecon's insurance broker, monitors developments in the insurance markets to ensure that the Company's insurance needs are met. Although Aecon has been able to meet its insurance needs, there can be no assurances that Aecon will be able to secure all necessary or appropriate insurance on a going forward basis. Failure to do so could lead to uninsured losses or limit Aecon's ability to pursue some construction contracts, both of which could impact results.

Although the Company believes that its current political risk insurance policy would provide sufficient cover for any direct equity and/or contingent equity exposure of the Company in respect of the Quiport JV arising from any future political instability or change in government, there can be no guarantee that the coverage would respond as anticipated to any future event.

ENVIRONMENTAL AND SAFETY FACTORS

Unfavourable weather conditions represent one of the most significant uncontrollable risks for Aecon. Construction projects are susceptible to delays as a result of extended periods of poor weather, which can have an adverse effect on profitability arising from either late completion penalties imposed by the contract or from the incremental costs arising from loss of productivity, compressed schedules, or from overtime work utilized to offset the time lost due to adverse weather.

During its history, Aecon has experienced a number of incidents, emissions or spills of a non-material nature in the course of its construction activities. Although none of these environmental incidents to date have resulted in a material liability to the Company, there can be no guarantee that any future incidents will also be of a non-material nature.

Aecon is subject to and complies with federal, provincial and municipal environmental legislation in all of its manufacturing and construction operations. Aecon recognizes that it must conduct all of its business in such a manner as to both protect and preserve the environment in accordance with this legislation. At each place where work is performed, Aecon develops and implements a detailed quality control plan as the primary tool to demonstrate and maintain compliance with all environmental regulations and conditions of permits and approvals. Given its more than one hundred-year history in the construction industry, large number of companies incorporated into its present structure and the fact that environmental regulations tend not to have a statute of limitations, there can be no guarantee that a historical claim may not arise on a go forward basis. Management is not aware of any pending environmental legislation that would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position, although there can be no guarantee that future legislation (including without limitation the introduction of "green" legislation that may impact segments of Aecon's business such as work in Alberta's oilsands) will not be proposed, and if implemented, it may have an impact on the Company and its financial results.

Aecon is also subject to and complies with health and safety legislation in all of its operations in the jurisdictions in which it operates. The Company recognizes that it must conduct all of its business in such a manner as to ensure the protection of both its workforce and the general public. Aecon has developed a comprehensive health and safety program. Nevertheless, given the nature of the industry, accidents will inevitably occur from time to time. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact, taken as a whole, on any of its operations, capital expenditure requirements or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or accidents. Increasingly across the construction industry safety standards, records and culture are an integral component of winning new work. Should Aecon fail to maintain its safety standards, such failure may impact future job awards, or in a worst case scenario impact financial results.

LITIGATION RISK

Disputes are common in the construction industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. In view of the quantum of the amounts claimed and the insurance coverage maintained by the Company in respect of these matters, management of the Company does not believe that any of the legal actions or proceedings that are presently known or anticipated by the Company are likely to have a material impact on the Company's financial position. However, there is no assurance that the Company's insurance arrangements will be sufficient to cover any particular claim or claims that may arise in the future. Furthermore, the Company is subject to the risk of claims and legal actions for various commercial and contractual matters, primarily arising from construction disputes, in respect of which insurance is not available. Although as of the date hereof, Aecon has not seen a material shift, there can be no guarantee that one of the by-products of the recent economic crisis will not be a rise in litigation which, depending on the nature of the litigation, could impact Aecon's results.

RISK OF NON-PAYMENT

Credit risk of non-payment with private owners under construction contracts is to a certain degree minimized by statutory lien rights which give contractors a high priority in the event of foreclosures as well as progress payments based on percentage completion. However, there is no guarantee that these measures will in all circumstances mitigate the risk of non-payment from private owners and a significant default or bankruptcy by a private owner may impact results. A greater incidence of default (including cash flow problems) or corporate bankruptcy amongst clients, subcontractors or suppliers related to current or future economic conditions could also impact results.

Credit risk is typically less with public (government) owners, who generally account for a significant portion of Aecon's business, as funds have generally been appropriated prior to the award or commencement of the project. Please see "Dependence on the Public Sector" under "Risk Factors" herein for additional discussion of the risks associated with this type of contract.

INTERNAL AND DISCLOSURE CONTROLS

Inadequate disclosure controls or ineffective internal controls over financial reporting could result in an increased risk of material misstatements in the financial reporting and public disclosure record of Aecon. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability of Aecon to continue its business as presently constituted. Aecon has designed and implemented a system of internal controls and a variety of policies and procedures to provide reasonable assurance that material misstatements in the financial reporting and public disclosures are prevented and detected on a timely basis and other business risks are mitigated. In accordance with the guidelines adopted in Canada, Aecon assesses the effectiveness of its internal and disclosure controls using a top-down, risk-based approach in which both qualitative and quantitative measures are considered. An internal control system, no matter how well conceived and operated, can provide only reasonable – not absolute – assurance to management and the Board of Directors regarding achievement of intended results. Aecon's current system of internal and disclosure controls places reliance on key personnel across the Company to perform a variety of control functions including key reviews, analysis, reconciliations and monitoring. The failure of individuals to perform such functions or properly implement the controls as designed could adversely impact results.

INTEGRATION AND ACQUISITION RISK

Over the last several years Aecon has acquired several businesses of various sizes, including the acquisition on April 1, 2009 of Lockerbie, a large industrial and mechanical construction contractor and the acquisition on August 26, 2010 of the Alberta assets of Cow Harbour, a large oilsands mining and reclamation contractor (the "Cow Harbour Acquisition"). The integration of any acquisition raises a variety of issues including, without limitation, identification and execution of synergies, elimination of cost duplication, systems integration (including accounting and information technology), execution of the pre-deal business strategy in an uncertain economic market, development of common corporate culture and values, integration and retention of key staff, retention of current clients as well as a variety of issues that may be specific to Aecon and the industry in which it operates. There can be no assurance that Aecon will maximize or realize the full potential of any of its recent acquisitions. A failure to successfully integrate these acquisitions and execute a combined business plan could materially impact the future financial results of Aecon. A failure to expand the existing client base and achieve sufficient utilization of the assets acquired (including the Cow Harbour Acquisition) could also materially impact the future financial results of Aecon.

CYCLICAL NATURE OF THE CONSTRUCTION INDUSTRY

Fluctuating demand cycles are common in the construction industry and can have a significant impact on the degree of competition for available projects. As such, fluctuations in the demand for construction services or the ability of the private and/or public sector to fund projects in the current economic climate could adversely affect backlog and margin and thus Aecon's results.

Given the cyclical nature of the construction industry, the financial results of Aecon, similar to others in the industry, may be impacted in any given period by a wide variety of factors beyond its control (as outlined herein), and as a result there may be from time to time, significant and unpredictable variations in Aecon's quarterly and annual financial results.

DEPENDENCE ON THE PUBLIC SECTOR

A significant portion of Aecon's revenues is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for Aecon's services by the public sector whether from traditional funding constraints, the long-term impact of the recent economic crisis (including future budgetary constraints, concerns regarding deficits or an eroding tax base), changing political priorities, change in government or delays in projects caused by the election process would likely have an adverse effect on the Company if that business could not be replaced from within the private sector.

Large government sponsored projects typically have long and often unpredictable lead times associated with the government review and political assessment process.

The time delays and pursuit costs incurred as a result of this lengthy process, as well as the often unknown political considerations that can be part of any final decision, constitute a significant risk to those pursuing such projects.

LOSS OF KEY MANAGEMENT; INABILITY TO ATTRACT AND RETAIN KEY STAFF

The Company's future prospects depend to a significant extent on the continued service of its key executives and staff. Furthermore, the Company's continued growth and future success depends on its ability to identify, recruit, assimilate and retain key management, technical, project and business development personnel. The competition for such employees, particularly during periods of high demand in certain sectors, is intense and there can be no assurance that the Company will be successful in identifying, recruiting or retaining such personnel.

ADJUSTMENTS IN BACKLOG

There can be no assurance that the revenues projected in Aecon's backlog at any given time will be realized, or if realized, that they will perform as expected with respect to margin. Projects may from time to time remain in backlog for an extended period of time prior to contract commencement, and after commencement may occur unevenly over current and future earnings periods. Project suspensions, terminations or reductions in scope do occur from time to time in the construction industry due to considerations beyond the control of a contractor such as Aecon and may have a material impact on the amount of reported backlog with a corresponding impact on future revenues and profitability. A variety of factors outlined in these "Risk Factors" including, without limitation, conditions in the oilsands and the impact of the recent global economic downturn could lead to project delays, reductions in scope and/or cancellations which could, depending on severity, negatively affect the ability of the Company to replace its existing backlog which may adversely impact results.

TAX ACCRUAL RISKS

Aecon is subject to income taxes in both Canada and numerous foreign jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although Aecon believes its tax estimates are reasonable, there can be no assurance that the final determination of any tax audits and litigation will not be materially different from that reflected in historical income tax provisions and accruals. Although management believes it has adequately provided for any additional taxes that may be assessed as a result of an audit or litigation, the occurrence of either of these events could have an adverse effect on the Company's current and future results and financial condition.

REPUTATION IN THE CONSTRUCTION INDUSTRY

Reputation and goodwill play an important role in the long-term success of any company in the construction industry. Negative opinion may impact long-term results and can arise from a number of factors including competence, losses on specific projects, questions concerning business ethics and integrity, corporate governance, the accuracy and quality of financial reporting and public disclosure as well as the quality and timing of the delivery of key products and services. Aecon has implemented various procedures and policies to help mitigate this risk including the adoption of a comprehensive Code of Conduct which all employees are expected to review and abide by. Nevertheless, the adoption of corporate policies and training of employees cannot guarantee that a future breach or breaches of the Code of Conduct or other corporate policies will not occur which may or may not impact the financial results of the Company.

INCREASES IN THE COST OF RAW MATERIALS

The cost of raw materials represents a significant component of Aecon's operating expenses. As contractors are not always able to pass such risks on to their customers, unexpected increases in the cost of raw materials may negatively impact the Company's results. At times during the last several years, the global availability of basic construction materials such as cement and steel has been impacted by the massive requirements of the Asian market which has resulted in price fluctuations, price escalation and periodic supply shortages. Periods of high demand or the failure to anticipate or mitigate demand fluctuations may add a significant risk to many vendors and subcontractors, some of whom have responded by no longer guaranteeing price or availability on long-term contracts which has in turn increased the risk for contractors who are not always able to pass this risk on to their customers.

PROTECTION OF INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

The Company, particularly through its wholly-owned subsidiary IST, depends, in part, on its ability to protect its intellectual property rights. Aecon relies primarily on patent, copyright, trademark and trade secret laws to protect its proprietary technologies. The failure of any patents or other intellectual property rights to provide protection to Aecon's technologies would make it easier for competitors to offer similar products, which could result in lower sales or gross margins.

The Company's trademarks and trade names are registered in Canada and the United States and the Company intends to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. The Company relies on trade secrets and proprietary know-how and confidentiality agreements to protect certain of its technologies and processes.

In addition, IST holds a number of patents on its once-through HRSG system. Nevertheless, there remains a threat of others attempting to copy IST's proprietary technology and processes. To mitigate this risk, the normal business practice of IST includes the signing of confidentiality agreements with all parties to which confidential information is supplied including all customers and licensees.

OUTSTANDING SHARE DATA

Aecon is authorized to issue an unlimited number of common shares. The following are details of common shares outstanding and securities that are convertible into common shares.

(in thousands of dollars, except share amounts)

	December 31, 2011	March 5, 2012
Number of common shares outstanding (1)	55,812,149	55,812,149
Paid-up capital of common shares outstanding (2)	$291,632	$291,632
Outstanding securities exchangeable or convertible into common shares:		
Number of stock options outstanding	1,750,000	1,750,000
Number of common shares issuable on exercise of stock options	1,750,000	1,750,000
Increase in paid-up capital on exercise of stock options	$22,789	$22,789
Principal amount of convertible debentures outstanding (see note 21 to the 2011 consolidated financial statements)	$251,429	$251,429
Number of common shares issuable on conversion of convertible debentures	13,921,053	13,921,053
Increase in paid-up capital on conversion of convertible debentures	$251,429	$251,429

(1) The number of common shares outstanding as per the above table at December 31, 2011 includes 2,511,662 shares (March 5, 2012 – 2,511,662 shares) held by the trustee of Aecon's Long-Term Incentive Plan ("LTIP").

The number of common shares outstanding at December 31, 2011 for financial statement purposes, after deducting the above LTIP shares, was 53,300,487 shares (March 5, 2012 – 53,300,487 shares).

(2) As described in Note 27 to the December 31, 2011 consolidated financial statements, the LTIP Trust meets the criteria of a Special Purpose Entity that requires consolidation by the Company in accordance with SIC 12 "Consolidation – Special Purpose Entities". As a result, share capital at December 31, 2011 and March 5, 2012 has been reduced by $26.5 million to reflect shares held by the trustee of the LTIP plan.

OUTLOOK

Aecon's outlook entering 2012 is as positive as it has been in years. Backlog is substantial, our core transportation, resources and power sectors have strong bidding pipelines, and our focus on project execution, risk management and organic growth is generating improved earnings.

After a period of significant volatility following the global economic downturn of 2008/09, the Canadian construction industry has now entered what has been described as a 'supercycle'. In fact, a study of the worldwide construction market published by PricewaterhouseCoopers and Oxford Economics in 2011 projected that by 2020 Canada will be the fifth largest construction market by aggregate volume in the world, trailing only China, India, the United States and Japan.

The strong demand referenced in these and other reports has been evident in the transportation sector for some time, and has more recently become tangible in the power and resources sectors, including Alberta's oilsands.

As a result, due in large part to over $1 billion in new business awards within the Industrial segment in the second half of 2011, Aecon's backlog reached $2.4 billion at year end, the second consecutive quarterly increase. More importantly, the project margins embedded in the backlog increased again in the fourth quarter, continuing the trend outlined at Aecon's annual meeting of shareholders in June 2011.

In the Infrastructure segment, Aecon's strengthening outlook is expected to be particularly evident this year in Aecon Mining. The ramp-up of operations in 2011 unfolded as planned, with the initial maintenance and repair program completed on budget and on schedule, and the division reaching profitability in the second half of 2011 as expected. Utilization rates, revenues and profitability in 2012 are all expected to build on the success achieved in the second half of 2011.

In the Industrial segment, fabrication services in both eastern and western Canada, as well as construction in western Canada's resources sector, are expected to drive most of the year-over-year improvement, reflecting the strong new business awards achieved in the second half of 2011.

In the Concessions segment, construction of the new Quito International Airport nears completion, with the official opening scheduled for October 2012. Although the sale in 2011 of Aecon's interest in Derech Eretz Highways Management Corporation in Israel will somewhat reduce operating profit in the segment, the public private partnership market in Canada remains strong, with a wide range of short and medium-term opportunities at various stages of the bidding process across the country.

Aecon's focus on the transportation, resources and power sectors, and the strong market position it has gained in these key strategic sectors in recent years, has positioned Aecon well in the most dynamic growth sectors of the Canadian construction industry. In addition, Aecon's balance sheet, financial liquidity and substantial bonding capacity, each of which are among the strongest in the Canadian industry, continue to provide the financial resources required to capitalize on the many opportunities at hand.

Overall, management continues to believe that this position of strength, combined with Aecon's clear focus on project execution and risk management, will result in the strengthening of Aecon's financial performance through 2012 and 2013.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

MARCH 5, 2012

To the Shareholders of Aecon Group Inc.

We have audited the accompanying consolidated financial statements of Aecon Group Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 audits 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 Aecon Group Inc. and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

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CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010

(in thousands Canadian of dollars)	Note	**December 31, 2011**	December 31, 2010	January 1, 2010
				(Note 4)
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents	7	**175,208**	250,862	340,893
Restricted cash	8	**46,082**	57,791	54,045
Marketable securities	9	**725**	–	19,509
Trade and other receivables	10	**533,235**	528,067	452,545
Unbilled revenue	11	**249,557**	392,860	212,002
Inventories	12	**30,499**	25,229	33,442
Income taxes recoverable		**9,695**	46,892	7,331
Prepaid expenses		**19,248**	17,369	8,773
		1,064,249	1,319,070	1,128,540
Non-current assets				
Long-term financial assets	13	**8,504**	9,587	86,733
Construction projects accounted for using the equity method	14	**17,931**	11,873	2,671
Deferred income tax assets	23	**40,222**	44,753	25,804
Property, plant and equipment	15	**482,148**	444,276	221,085
Concession rights and other intangible assets	16	**371,041**	291,846	290,795
		919,846	802,335	627,088
Total assets		**1,984,095**	2,121,405	1,755,628
LIABILITIES				
Current liabilities				
Trade and other payables	18	**536,497**	584,216	453,542
Provisions	19	**11,120**	8,728	9,038
Deferred revenue	11	**108,096**	134,323	89,997
Income taxes payable		**13,688**	8,303	16,603
Non-recourse project debt	20	**56,745**	289,001	216,825
Long-term debt	20	**65,690**	50,467	24,373
		791,836	1,075,038	810,378
Non-current liabilities				
Provisions	19	**24,223**	23,843	21,811
Non-recourse project debt	20	**137,078**	27,333	69,417
Long-term debt	20	**142,581**	129,435	77,395
Convertible debentures	21	**251,429**	249,751	172,637
Concession related deferred revenue	22	**65,266**	63,894	67,348
Deferred income tax liabilities	23	**71,342**	84,780	62,014
Other liabilities		**10,463**	7,733	9,422
		702,382	586,769	480,044
Total liabilities		**1,494,218**	1,661,807	1,290,422
Equity				
Capital stock	27	**291,633**	298,613	304,946
Contributed surplus		**6,027**	5,009	4,097
Retained earnings		**192,808**	150,776	120,299
Accumulated other comprehensive income (loss)		**(4,131)**	(2,761)	30,935
Shareholders' equity		**486,337**	451,637	460,277
Non-controlling interests		**3,540**	7,961	4,929
Total equity		**489,877**	459,598	465,206
Total liabilities and equity		**1,984,095**	2,121,405	1,755,628

Approved by the Board of Directors John M. Beck, Director Michael A. Butt, Director

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

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(in thousands Canadian of dollars, except per share amounts)	Note	**December 31, 2011**	December 31, 2010
		$	$
Revenue		**2,896,167**	2,749,773
Direct costs and expenses	29	**(2,622,034)**	(2,587,634)
Gross profit		**274,133**	162,139
Marketing, general and administrative expenses	29	**(138,832)**	(116,275)
Depreciation and amortization	29	**(62,548)**	(48,377)
Income (loss) from construction projects accounted for using the equity method	14	**14,058**	405
Other income (loss)	30	**13,721**	59,313
Operating profit		**100,532**	57,205
Finance income	31	**5,679**	14,581
Finance costs	32	**(36,923)**	(30,735)
Fair value gain (loss) on convertible debentures	21	**4,269**	14,938
Profit before income taxes		**73,557**	55,989
Income tax expense	23	**(11,414)**	(9,320)
Profit for the year		**62,143**	46,669
Attributable to:			
Shareholders		**57,553**	41,848
Non-controlling interests		**4,590**	4,821
		62,143	46,669
Basic earnings per share	33	**1.07**	0.76
Diluted earnings per share	33	**0.84**	0.57

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(in thousands Canadian of dollars)	**December 31, 2011**	December 31, 2010
	$	$
Profit for the year	**62,143**	46,669
Other comprehensive income (loss):		
Currency translation differences	**2,473**	(4,470)
Mark-to-market adjustments on available-for-sale investments	**–**	(36,835)
Actuarial gains (losses)	**(4,988)**	2,121
Cash flow hedges	**(15)**	–
Income taxes on the above	**1,247**	5,370
Total other comprehensive loss for the year	**(1,283)**	(33,814)
Comprehensive income for the year	**60,860**	12,855
Attributable to:		
Shareholders	**56,183**	8,152
Non-controlling interests	**4,677**	4,703
	60,860	12,855

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(in thousands of Canadian dollars)				Accumulated other comprehensive income					
	Capital stock	Contributed surplus	Retained earnings	Currency translation differences	Actuarial gains and losses	Cash flow hedges	Shareholders' equity	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$	$
Balance at January 1, 2011	**298,613**	**5,009**	**150,776**	**(4,352)**	**$1,591**	**–**	**451,637**	**7,961**	**459,598**
Profit for the year	–	–	57,553	–	–	–	**57,553**	4,590	**62,143**
Other comprehensive income:									
Currency translation differences	–	–	–	2,218	–	–	**2,218**	87	**2,305**
Actuarial gains (losses)	–	–	–	–	(4,988)	–	**(4,988)**	–	**(4,988)**
Disposal of a subsidiary	–	–	–	168	–	–	**168**	–	**168**
Cash flow hedges	–	–	–	–	–	(15)	**(15)**	–	**(15)**
Taxes with respect to above items included in other comprehensive income	–	–	–	–	1,247	–	**1,247**	–	**1,247**
Total other comprehensive income (loss) for the year	**–**	**–**	**–**	**2,386**	**(3,741)**	**(15)**	**(1,370)**	**87**	**(1,283)**
Total comprehensive income (loss) for the year	**–**	**–**	**57,553**	**2,386**	**(3,741)**	**(15)**	**56,183**	**4,677**	**60,860**
Dividends declared	–	–	(11,263)	–	–	–	**(11,263)**	(3,443)	**(14,706)**
Common shares issued on exercise of options	2,698	(550)	–	–	–	–	**2,148**	–	**2,148**
Common shares purchased under Normal Course Issuer Bid	(7,780)	–	(4,258)	–	–	–	**(12,038)**	–	**(12,038)**
Granting of stock options	–	1,568	–	–	–	–	**1,568**	–	**1,568**
Common shares purchased by the Trust of the Long-Term Incentive Plan (LTIP)	(7,952)	–	–	–	–	–	**(7,952)**	–	**(7,952)**
Transfers by the Trust to settle LTIP obligations	6,054	–	–	–	–	–	**6,054**	–	**6,054**
Disposal of a subsidiary	–	–	–	–	–	–	**–**	(5,655)	**(5,655)**
Balance at December 31, 2011	**291,633**	**6,027**	**192,808**	**(1,966)**	**(2,150)**	**(15)**	**486,337**	**3,540**	**489,877**

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

(in thousands of Canadian dollars)	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income: Currency translation differences	Accumulated other comprehensive income: Mark-to-market adjustments on available for sale investments	Accumulated other comprehensive income: Actuarial gains and losses	Shareholders' equity	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$	$
Balance at January 1, 2010	**304,946**	**4,097**	**120,299**	**–**	**30,935**	**–**	**460,277**	**4,929**	**465,206**
Profit for the year	–	–	41,848	–	–	–	**41,848**	4,821	**46,669**
Other comprehensive income:									
Currency translation differences	–	–	–	(4,352)	–	–	**(4,352)**	(118)	**(4,470)**
Mark-to-market adjustments on available-for-sale investments	–	–	–	–	(36,835)	–	**(36,835)**	–	**(36,835)**
Actuarial gains (losses)	–	–	–	–	–	2,121	**2,121**	–	**2,121**
Taxes with respect to above items included in other comprehensive income	–	–	–	–	5,900	(530)	**5,370**	–	**5,370**
Total other comprehensive income (loss) for the year	**–**	**–**	**–**	**(4,352)**	**(30,935)**	**1,591**	**(33,696)**	**(118)**	**(33,814)**
Total comprehensive income (loss) for the year	–	–	41,848	(4,352)	(30,935)	1,591	**8,152**	4,703	**12,855**
Dividends declared	–	–	(11,371)	–	–	–	**(11,371)**	(1,671)	**(13,042)**
Common shares issued on exercise of options	1,044	(161)	–	–	–	–	**883**	–	**883**
Granting of stock options	–	1,073	–	–	–	–	**1,073**	–	**1,073**
Common shares purchased by the Trust of the Long-Term Incentive Plan (LTIP)	(9,690)	–	–	–	–	–	**(9,690)**	–	**(9,690)**
Transfers by the Trust to settle LTIP obligations	2,313	–	–	–	–	–	**2,313**	–	**2,313**
Balance at December 31, 2010	**298,613**	**5,009**	**150,776**	**(4,352)**	**–**	**1,591**	**451,637**	**7,961**	**459,598**

During the year ended December 31, 2011, the Company paid dividends amounting to $0.20 per share (2010 - $0.20 per share).

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(in thousands Canadian of dollars)	Note	**December 31, 2011**	December 31, 2010
		$	$
CASH PROVIDED BY (USED IN)			
Operating activities			
Profit before income taxes		**73,557**	55,989
Income taxes (paid) recovered		**23,699**	(47,752)
Items not affecting cash:			
Depreciation and amortization		**62,548**	48,377
(Income) loss from construction projects accounted for using the equity method		**(14,058)**	(405)
Gain from business combination		**–**	(13,838)
Gain on sale of assets		**(15,912)**	(45,065)
Unrealized foreign exchange (gains) losses		**(219)**	(1,203)
Non-cash interest on provisions		**804**	804
Notional interest representing accretion		**4,597**	(1,710)
Fair value gain on convertible debentures		**(4,269)**	(14,938)
Defined benefit pension		**(1,214)**	(102)
Stock-based compensation		**1,568**	1,073
Change in other balances relating to operations	34	**66,381**	(79,476)
		197,482	(98,246)
Investing activities			
Decrease (increase) in restricted cash balances		**12,503**	(6,618)
Decrease (increase) in marketable securities		**(725)**	21,451
Purchase of property, plant and equipment		**(64,797)**	(42,182)
Proceeds on sale of property, plant and equipment		**28,135**	11,721
Gross proceeds on sale of long-term concession investment		**–**	82,329
Disposals (acquisitions) of subsidiaries		**3,055**	(183,401)
Investment in concession rights		**(83,313)**	(22,410)
Increase in other intangible assets		**(2,228)**	(2,579)
Decrease (increase) in long-term financial assets		**1,067**	(2,138)
Distributions from (investments in) construction projects accounted for using the equity method		**8,000**	(8,797)
		(98,303)	(152,624)
Financing activities			
Issuances of long-term debt		**102,664**	125,968
Repayments of long-term debt		**(244,726)**	(30,652)
Issuance of capital stock		**2,148**	883
Repurchase of capital stock		**(19,990)**	(9,690)
Dividends paid		**(11,317)**	(11,364)
Net proceeds from issuance of convertible debentures		**–**	87,507
Dividends to non-controlling interests		**(3,443)**	(1,671)
		(174,664)	160,981
Decrease in cash and cash equivalents during the year		**(75,485)**	(89,889)
Effects of foreign exchange on cash balances		**(169)**	(142)
Cash and cash equivalents - beginning of year		**250,862**	340,893
Cash and cash equivalents - end of year		**175,208**	250,862

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

1. CORPORATE INFORMATION

Aecon Group Inc. ("Aecon" or the "Company") is a publicly traded construction and infrastructure development company incorporated in Canada. Aecon and its subsidiaries provide services to private and public sector clients throughout Canada and on a selected basis internationally. Its head office is located in Toronto, Ontario at 20 Carlson Court, Suite 800, M9W 7K6.

Aecon operates in three principal segments within the construction and infrastructure development industry: Infrastructure, Industrial and Concessions.

2. DATE OF AUTHORIZATION FOR ISSUE

The consolidated financial statements of the Company were authorized for issue on March 5, 2012 by the Board of Directors.

3. BASIS OF PRESENTATION

BASIS OF PRESENTATION AND ADOPTION OF IFRS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and to require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these consolidated financial statements. In the notes to the consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements have been prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". Subject to certain transition elections disclosed in Note 4, the Company has consistently applied the same accounting policies in its opening IFRS consolidated balance sheet at January 1, 2010 (the "transition date") and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

BASIS OF MEASUREMENT

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, as well as its pro rata share of the assets, liabilities, revenue, expenses, profit or loss and cash flows of its joint ventures along with its investment in and share of the earnings of construction projects accounted for by the equity method.

USE OF SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amount of the asset or liability affected.

The main judgments and estimates made by management in applying accounting policies primarily relate to the following (as applicable further details of assumptions made are disclosed in individual notes throughout the consolidated financial statements):

- Estimates used in recognizing the results of contracts on a percentage of completion basis and accounting for change orders and claims.
- Estimates in determining various provisions including assessments of possible legal and tax contingencies; and assessments of remediation costs, as well as interest and discount rates used in estimating decommissioning liabilities. See Note 19 for additional information.
- Estimates in calculating income taxes: the Company is subject to income taxes in numerous jurisdictions and significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. See Note 19 for additional information.
- Estimates relating to the valuation of financial instruments that are not traded in an active market and which have fair values determined using valuation techniques. Such financial instruments include the embedded derivatives within the Company's convertible debentures, equity share investments classified as available for sale when the shares do not trade in an active market, and holdbacks receivable and payable. See Note 36 for additional information.

- Assumptions employed in the actuarial calculation of pension liabilities and other employee benefits obligations: examples of significant actuarial and accounting assumptions impacting the reporting of employee benefit obligations and expenses are the discount rate assumption and the expected return on assets assumption. Any changes in these assumptions will impact the carrying amount of pension obligations. Management determines the appropriate discount rate at the end of each year by considering the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the pension obligation. See Note 24 for additional information. The assumptions used in the actuarial calculation of the Company's pension liabilities were not changed on adoption of IFRS.
- Estimates used in the fair valuing of stock option grants: these estimates include assumptions about the volatility rating of the Company's stock. See Note 27 for additional information.

4. FIRST-TIME ADOPTION OF IFRS

In preparing the opening IFRS consolidated balance sheet at the transition date, the Company applied the same accounting policies in its opening IFRS consolidated balance sheet at January 1, 2010 and throughout all periods presented as if these policies had always been in effect, except for the exemptions noted below. An explanation of how the transition from Canadian GAAP to IFRS affected the Company's reported financial position, financial performance and cash flows is set out in the following notes and tables.

Quantitative impacts of elections, exemptions and policy choices under IFRS are presented in the reconciliations noted below.

4.1 FIRST-TIME ADOPTION OPTIONS

IFRS 1 "First-Time Adoption of International Financial Reporting Standards" allows first-time adopters in certain cases to depart from the retroactive nature of applying IFRS. The Company made the following elections in its consolidated financial statements at the transition date.

EXEMPTIONS FROM CERTAIN IFRS

Business combinations

IFRS 1 provides the option to apply the revised IFRS 3, "Business Combinations", prospectively from the transition date or from a specific date prior to the transition date. However, this election still requires assets and liabilities that do not meet the recognition criteria to be derecognized. This provides relief from full retrospective application, which would require restatement of business combinations that occurred prior to the transition date. The Company elected to apply IFRS 3 prospectively from the transition date. As a result, balances related to business combinations occurring prior to the transition date have not been restated.

Cumulative translation differences

IFRS 1 permits the cumulative translation gains and losses account to be reset to zero at the transition date. This provides relief from determining cumulative translation differences in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", from the date a subsidiary or equity method investee was formed or acquired. The Company has elected to reset the cumulative translation gains and losses account to zero at the transition date.

Employee benefits

IFRS 1 permits a first-time adopter to recognize all cumulative actuarial gains and losses that existed at the transition date in opening retained earnings for all of its employee benefit plans. The Company has elected to apply this exemption.

After the transition date, the Company has chosen to recognize actuarial gains and losses arising from the re-measurement of employee future benefit obligations in other comprehensive income as they arise. Under Canadian GAAP, the Company followed the corridor method of accounting for such gains and losses. Under this method, gains and losses were recognized only to the extent they exceeded specified thresholds, with the excess being recognized over the estimated remaining service life of the members in the benefit plan.

Service concession arrangements
IFRS 1 permits a first-time adopter to apply the transitional provisions in IFRIC 12, "Service Concession Arrangements", at the date of transition to IFRS. The Company elected to apply this exemption. As a result, the Company has used the previous carrying amounts of intangible assets associated with its service concession arrangements as their carrying amount on transition.

EXCEPTIONS TO RETROSPECTIVE APPLICATION OF IFRS

IFRS 1 also required the Company to apply the following exceptions to retrospective application of IFRS as at the transition date:

Estimates
The Company's estimates in accordance with IFRS at the date of transition are consistent with estimates made at the same date in accordance with Canadian GAAP after adjustments to reflect any difference in accounting policies and standards.

Non-controlling interests
In the third quarter of 2010, the Company early adopted CICA Handbook Sections 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests", which aligned Canadian GAAP with IFRS. Therefore there was no impact on transition to IFRS with respect to the presentation of non-controlling interests. The Company has attributed total comprehensive income to the shareholders of the Company and to those of non-controlling interests. The non-controlling interests' share of the net assets of subsidiaries is included in equity and their share of the comprehensive income of subsidiaries is allocated directly to equity.

Other exceptions in IFRS 1 that have not been applied as they are not relevant to the Company are as follows:

// derecognition of financial assets and financial liabilities
// hedge accounting.

4.2 IMPACT OF THE TRANSITION TO IFRS ON THE CONSOLIDATED FINANCIAL STATEMENTS

The impact of the transition to IFRS is presented as follows:

// Notes to reconciliations providing narrative disclosures describing differences between the standards applied by the Company under Canadian GAAP and IFRS.
// Reconciliations, in the IFRS presentation, of the consolidated financial statements under Canadian GAAP and the consolidated financial statements under IFRS for:

- the consolidated balance sheet as at January 1, 2010;
- the consolidated balance sheet as at December 31, 2010;
- the consolidated statement of income for the year ended December 31, 2010; and
- the consolidated statement of comprehensive income for the year ended December 31, 2010.

NOTES TO THE RECONCILIATIONS BETWEEN CANADIAN GAAP AND IFRS CONSOLIDATED FINANCIAL STATEMENTS

(a) IFRS 1 Exemptions and Exceptions
These adjustments include the impact of the exemptions elected by the Company as well as the exceptions required under IFRS 1 for its transition to IFRS.

These adjustments are discussed above under Exemptions From Certain IFRS and Exceptions To Retrospective Application of IFRS.

(b) Financial Instruments - Available-for-Sale Investments
Before its sale in December 2010, the Cross Israel Highway Concession investment (Derech Eretz Highways (1997) Ltd.) was classified as an available-for-sale investment. Under IFRS, available-for-sale investments not quoted in an active market must be measured at fair value, if fair value is reliably measurable. Changes in fair value are recorded in other comprehensive income. Under Canadian GAAP, such assets were measured at cost.

(c) Financial Instruments – Embedded Derivatives In Convertible Debentures
The terms of the Company's convertible debentures include an option for holders to convert any time prior to the maturity date at a conversion price of $19.00 for each common share and allow the Company the option to settle the conversion in cash (or a combination of cash and common shares) unless the holder expressly indicates in the conversion notice that they do not wish to receive cash. Under Canadian GAAP, convertible debentures were accounted for as a compound instrument with both a debt and equity component, provided certain criteria were met. The debt component was accounted for at amortized cost using the effective interest rate method, while the equity component was measured at the issue date using the residual method, with no future changes in value recognized. IAS 32, "Financial Instruments: Presentation", requires financial instruments containing a cash settlement option to be presented as liabilities. As a result, the equity conversion option represents a derivative financial liability. The convertible debentures are therefore accounted for as a hybrid instrument with a debt component and a separate derivative financial liability component representing the fair value of the conversion option. Consistent with Canadian GAAP, the debt component is accounted for at amortized cost, using the effective interest rate method. The conversion option is required to be measured at fair value at each reporting date with changes in fair value recorded in profit or loss.

(d) Revenue Recognition - Construction Contracts With Direct Borrowing Costs
Under IFRS, borrowing costs specific to an individual construction project are treated as contract costs and are included in the percentage of completion calculation that determines revenue recognized on the contract. Under Canadian GAAP, borrowing costs specific to an individual construction project were considered a period cost and not included in the percentage of completion calculation. These adjustments affect the amount of revenue recognized each period over the life of the construction project because the Company uses the ratio of costs incurred to date over estimated total costs to determine the percentage of completion of its construction projects and thus the amount of revenue to recognize at the end of each reporting period. These adjustments do not affect the total amount of revenue recognized over the life of the project.

(e) Leases
Under Canadian GAAP, leases are accounted for as operating leases when they do not transfer substantially all of the risks and rewards of ownership to the Company. Canadian GAAP provided quantitative guidelines to be used in assessing whether to classify a lease as either a finance (i.e. capital) or operating lease. IFRS provides only qualitative guidelines for distinguishing between operating and finance leases. Under IFRS, many of the Company's fleet of highway and pickup vehicle leases, which had previously been accounted for as operating leases, are now being accounted for as finance leases as a result of additional qualitative factors under IFRS.

(f) Decommissioning Liabilities Included in the Cost of Inventory
On transition, the Company measured its decommissioning liabilities at the transition date in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". Under IFRS, the cost of decommissioning liabilities is included in the cost of related property, plant and equipment, except when incurred as a consequence of having used the item to produce inventories. The Company's decommissioning liabilities relate to its aggregate pits which are used to extract inventories. Under Canadian GAAP, the Company accounted for the asset relating to the obligation as property, plant and equipment. As a result of accounting for decommissioning costs as an inventory item under IFRS, the impacts on inventory and on related production expenses have been adjusted as at the date of transition.

(g) Income Taxes
These adjustments include the income tax effects of the adjustments made on the transition to IFRS.

Under IFRS, deferred income tax balances are classified as long-term, irrespective of the classification of the assets or liabilities to which they relate or the expected timing of reversal of the temporary differences. Under Canadian GAAP, deferred income tax balances relating to current assets or current liabilities had to be classified as current.

(h) Classification of Long-term Debt

In July 2009, as a result of a legal ruling (the "Airports Ruling") issued by the Constitutional Court of Ecuador, with respect to the public nature of revenues collected by the Quito Airport project concessionaire, a formal contractual dispute was declared and the Quito Airport Project's (the "Project") financing was suspended. In February 2011, Aecon announced the successful finalization of the Project's restructuring, that project financing had resumed, and that all defaults relating to the Airports Ruling were waived. Under IFRS, when an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agrees, after the reporting period and before the authorization of the consolidated financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current at the end of the reporting period if it does not have an unconditional right to defer its settlement for at least twelve months after that date. Under Canadian GAAP, because a waiver of default was obtained before the consolidated financial statements were issued, the debt was classified as a long-term liability.

The transition from Canadian GAAP to IFRS had no net impact on the reported cash flows generated by the Company.

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

The following table reconciles the impact of IFRS adjustments on the Company's Consolidated Balance Sheet under Canadian GAAP at January 1, 2010.

	Canadian GAAP (IFRS presentation)	IFRS 1 – Cumulative translation differences	IFRS 1 – Actuarial gains or losses	Financial instruments – available-for-sale investments	Convertible debentures – embedded derivative	Construction contracts – direct borrowing costs	Leases	Decommissioning liabilities	Tax effect of IFRS adjustments	IFRS
	$	$	$	$	$	$	$	$	$	$
		(a)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
ASSETS										
Current assets										
Cash and cash equivalents	340,893	–	–	–	–	–	–	–	–	**340,893**
Restricted cash	54,045	–	–	–	–	–	–	–	–	**54,045**
Marketable securities	19,509	–	–	–	–	–	–	–	–	**19,509**
Trade and other receivables	452,545	–	–	–	–	–	–	–	–	**452,545**
Unbilled revenue	218,645	–	–	–	–	(6,643)	–	–	–	**212,002**
Inventories	33,377	–	–	–	–	–	–	65	–	**33,442**
Income taxes recoverable	7,331	–	–	–	–	–	–	–	–	**7,331**
Prepaid expenses	8,773	–	–	–	–	–	–	–	–	**8,773**
	1,135,118	–	–	–	–	(6,643)	–	65	–	**1,128,540**
Non-current assets										
Long-term financial assets	54,015	–	(4,117)	36,835	–	–	–	–	–	**86,733**
Construction projects accounted for using the equity method	2,671	–	–	–	–	–	–	–	–	**2,671**
Deferred income tax assets	18,048	–	–	–	–	–	–	–	7,756	**25,804**
Property, plant and equipment	200,883	–	–	–	–	–	21,908	(1,706)	–	**221,085**
Concession rights and other intangible assets	290,795	–	–	–	–	–	–	–	–	**290,795**
	566,412	–	(4,117)	36,835	–	–	21,908	(1,706)	7,756	**627,088**
TOTAL ASSETS	1,701,530	–	(4,117)	36,835	–	(6,643)	21,908	(1,641)	7,756	**1,755,628**
LIABILITIES										
Current liabilities										
Trade and other payables	453,542	–	–	–	–	–	–	–	–	**453,542**
Provisions	9,038	–	–	–	–	–	–	–	–	**9,038**
Deferred revenue	88,005	–	–	–	–	1,992		–	–	**89,997**
Income taxes payable	16,603	–	–	–	–	–	–	–	–	**16,603**
Non-recourse project debt	216,825	–	–	–	–	–	–	–	–	**216,825**
Long-term debt	16,489	–	–	–	–	–	7,884	–	–	**24,373**
	800,502	–	–	–	–	1,992	7,884	–	–	**810,378**
Non-current liabilities										
Provisions	21,754	–	–	–	–	–	–	57	–	**21,811**
Non-recourse project debt	69,417	–	–	–	–	–	–	–	–	**69,417**
Long-term debt	63,037	–	–	–	–	–	14,358	–	–	**77,395**
Convertible debentures	158,614	–	–	–	14,023	–	–	–	–	**172,637**
Concession related deferred revenue	67,348	–	–	–	–	–	–	–	–	**67,348**
Deferred income tax liabilities	56,098	–	–	–	–	–	–	–	5,916	**62,014**
Other liabilities	2,438	–	6,984	–	–	–	–	–	–	**9,422**
	438,706	–	6,984	–	14,023	–	14,358	57	5,916	**480,044**
TOTAL LIABILITIES	1,239,208	–	6,984	–	14,023	1,992	22,242	57	5,916	**1,290,422**
EQUITY										
Capital stock	304,946	–	–	–	–	–	–	–	–	**304,946**
Contributed surplus	4,097	–	–	–	–	–	–	–	–	**4,097**
Convertible debentures	6,887	–	–	–	(6,887)	–	–	–	–	**–**
Retained earnings	144,238	(2,775)	(11,101)	–	(7,136)	(8,635)	(334)	(1,698)	7,740	**120,299**
Accumulated other comprehensive income (loss)	(2,775)	2,775	–	36,835	–	–	–	–	(5,900)	**30,935**
Shareholders' equity	457,393	–	(11,101)	36,835	(14,023)	(8,635)	(334)	(1,698)	1,840	**460,277**
Non-controlling interests	4,929	–	–	–	–	–	–	–	–	**4,929**
TOTAL EQUITY	462,322	–	(11,101)	36,835	(14,023)	(8,635)	(334)	(1,698)	1,840	**465,206**
TOTAL LIABILITIES AND EQUITY	1,701,530	–	(4,117)	36,835	–	(6,643)	21,908	(1,641)	7,756	**1,755,628**

The following table reconciles the impact of IFRS adjustments on the Company's previously reported Consolidated Balance Sheet under Canadian GAAP at December 31, 2010.

	Canadian GAAP (IFRS presentation)	IFRS 1 – Cumulative translation differences	IFRS 1 – Actuarial gains or losses	Pension expense	Convertible debentures – embedded derivative	Construction contracts – direct borrowing costs	Leases	Decommissioning liabilities	Tax effect of IFRS adjustments	Classification of long-term debt	IFRS
	$	$	$	$	$	$	$	$	$	$	$
		(a)	(a)	(a)	(c)	(d)	(e)	(f)	(g)	(h)	
ASSETS											
Current assets											
Cash and cash equivalents	250,862	–	–	–	–	–	–	–	–	–	**250,862**
Restricted cash	57,791	–	–	–	–	–	–	–	–	–	**57,791**
Trade and other receivables	528,067	–	–	–	–	–	–	–	–	–	**528,067**
Unbilled revenue	404,904	–	–	–	–	(12,044)	–	–	–	–	**392,860**
Inventories	25,159	–	–	–	–	–	–	70	–	–	**25,229**
Income taxes recoverable	46,892	–	–	–	–	–	–	–	–	–	**46,892**
Prepaid expenses	17,369	–	–	–	–	–	–	–	–	–	**17,369**
	1,331,044	–	–	–	–	(12,044)	–	70	–	–	**1,319,070**
Non-current assets											
Long-term financial assets	12,097	–	(4,117)	1,607	–	–	–	–	–	–	**9,587**
Construction projects accounted for using the equity method	11,873	–	–	–	–	–	–	–	–	–	**11,873**
Deferred income tax assets	36,978	–	–	–	–	–	–	–	7,775	–	**44,753**
Property, plant and equipment	423,737	–	–	–	–	–	22,389	(1,850)	–	–	**444,276**
Concession rights and other intangible assets	291,846	–	–	–	–	–	–	–	–	–	**291,846**
	776,531	-	(4,117)	1,607	–	–	22,389	(1,850)	7,775	–	**802,335**
TOTAL ASSETS	2,107,575	-	(4,117)	1,607	–	(12,044)	22,389	(1,780)	7,775	–	**2,121,405**
LIABILITIES											
Current liabilities											
Trade and other payables	584,216	–	–	–	–	–	–	–	–	–	**584,216**
Provisions	8,728	–	–	–	–	–	–	–	–	–	**8,728**
Deferred revenue	142,562	–	–	–	–	(8,239)	–	–	–	–	**134,323**
Income taxes payable	8,303	–	–	–	–	–	–	–	–	–	**8,303**
Non-recourse long-term debt	185,734	–	–	–	–	–	–	–	–	103,267	**289,001**
Long-term debt	41,602	–	–	–	–	–	8,865	–	–	–	**50,467**
	971,145	–	–	–	–	(8,239)	8,865	–	–	103,267	**1,075,038**
Non-current liabilities											
Provisions	23,912	–	–	–	–	–	–	(69)	–	–	**23,843**
Non-recourse project debt	130,600	–	–	–	–	–	–	–	–	(103,267)	**27,333**
Long-term debt	115,511	–	–	–	–	–	13,924	–	–	–	**129,435**
Convertible debentures	245,004	–	–	–	4,747	–	–	–	–	–	**249,751**
Concession related deferred revenue	63,894	–	–	–	–	–	–	–	–	–	**63,894**
Deferred income tax liabilities	78,579	–	–	–	–	–	–	–	6,201	–	**84,780**
Other liabilities	2,972	–	6,984	(2,223)	–	–	–	–	–	–	**7,733**
	660,472	–	6,984	(2,223)	4,747	-	13,924	(69)	6,201	(103,267)	**586,769**
TOTAL LIABILITIES	1,631,617	–	6,984	(2,223)	4,747	(8,239)	22,789	(69)	6,201	–	**1,661,807**
EQUITY											
Capital stock	298,613	–	–	–	–	–	–	–	–	–	**298,613**
Contributed surplus	5,009	–	–	–	–	–	–	–	–	–	**5,009**
Convertible debentures	11,328	–	–	–	(11,328)	–	–	–	–	–	**–**
Retained earnings	160,174	(2,775)	(11,101)	1,709	6,581	(3,805)	(400)	(1,711)	2,104	–	**150,776**
Accumulated other comprehensive income (loss)	(7,127)	2,775	—	2,121	–	–	–	–	(530)	–	**(2,761)**
Shareholders' equity	467,997	–	(11,101)	3,830	(4,747)	(3,805)	(400)	(1,711)	1,574	–	**451,637**
Non-controlling interests	7,961	–	–	–	–	–	–	–	–	–	**7,961**
TOTAL EQUITY	475,958	–	(11,101)	3,830	(4,747)	(3,805)	(400)	(1,711)	1,574	–	**459,598**
TOTAL LIABILITIES AND EQUITY	2,107,575	–	(4,117)	1,607	–	(12,044)	22,389	(1,780)	7,775	–	**2,121,405**

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

The following table reconciles the impact of IFRS adjustments on the Company's previously reported Consolidated Statement of Income under Canadian GAAP for the year ended December 31, 2010.

	Canadian GAAP (IFRS (IFRS presentation)	Pension expense	Convertible debentures – embedded derivatives	Construction contracts – direct borrowing costs	Leases	Decommissioning liabilities	Tax effect of IFRS adjustments	IFRS
	$	$	$	$	$	$	$	$
		(a)	(c)	(d)	(e)	(f)	(g)	
Revenue	2,746,243	–	–	3,530	–	–	–	**2,749,773**
Direct costs and expenses	(2,585,663)	–	–	(11,122)	9,290	(139)	–	**(2,587,634)**
Gross Profit	160,580	–	–	(7,592)	9,290	(139)	–	**162,139**
Marketing, general and administrative expenses	(118,206)	1,709	–	169	53	–	–	**(116,275)**
Depreciation and amortization	(40,320)	–	–	–	(8,168)	111	–	**(48,377)**
Income (loss) from construction projects accounted for using the equity method	405	–	–	–	–	–	–	**405**
Other income (loss)	59,415	–	–	–	(102)	–	–	**59,313**
Operating profit	61,874	1,709	–	(7,423)	1,073	(28)	–	**57,205**
Finance income	11,298	–	–	3,283	–	–	–	**14,581**
Finance costs	(37,359)	–	(1,220)	8,966	(1,139)	17	–	**(30,735)**
Fair value gains (losses) on embedded derivatives	–	–	14,938	–	–	–	–	**14,938**
Profit before income taxes	35,813	1,709	13,718	4,826	(66)	(11)	–	**55,989**
Income tax (expense) recovery	(3,684)	–	–	–	–	–	(5,636)	**(9,320)**
Profit for the year	32,129	1,709	13,718	4,826	(66)	(11)	(5,636)	**46,669**
Attributable to:								
Shareholders	27,308	1,709	13,718	4,826	(66)	(11)	(5,636)	**41,848**
Non-controlling interests	4,821	–	–	–	–	–	–	**4,821**
	32,129	1,709	13,718	4,826	(66)	(11)	(5,636)	**46,669**

The following table reconciles the impact of IFRS adjustments on the Company's previously reported Consolidated Statement of Comprehensive Income under Canadian GAAP for the year ended December 31, 2010.

	Canadian GAAP (IFRS presentation)	IFRS adjustments	IFRS
	$	**$**	**$**
Profit for the year	32,129	14,540	**46,669**
Other comprehensive income (loss):			
Currency translation differences	(4,352)	(118)	**(4,470)**
Mark-to-market adjustments on available-for-sale investments	–	(36,835)	**(36,835)**
Actuarial gains and losses	–	2,121	**2,121**
Income taxes with respect to above items	–	5,370	**5,370**
Total other comprehensive loss for the year	(4,352)	(29,462)	**(33,814)**
Comprehensive income for the year	27,777	(14,922)	**12,855**
Attributable to:			
Shareholders	23,074	(14,922)	**8,152**
Non-controlling interests	4,703	–	**4,703**
	27,777	(14,922)	**12,855**

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 REVENUE RECOGNITION

Construction contracts
A construction contract is a contract specifically negotiated for the construction of an asset or combination of assets, including contracts for the rendering of services directly related to the construction of the asset. Such contracts include fixed-price or cost-plus contracts.

Revenue recognition when the outcome of the contract can be estimated reliably
When the outcome of a construction contract, including contracts in which the Company participates through joint arrangements, can be estimated reliably, revenue from fixed priced and cost-plus construction contracts is recognized using the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs at the end of the reporting period.

Revenue recognition when the outcome of the contract cannot be estimated reliably
When the outcome of a construction contract cannot be estimated reliably, revenue is recognized to the extent of contract costs incurred where it is probable they will be recovered.

Revision of estimated total costs
On an ongoing basis, the estimated total costs for construction projects are revised based on the information available at the end of the reporting period. Changes in estimated total costs are reflected in the percentage of completion of applicable construction projects in the same period as the change in estimate occurs.

Recognition of contract costs
Contract costs are recognized as expenses in profit or loss as incurred. Contract costs include all amounts that relate directly to the specific contract, are attributable to contract activity, and are specifically chargeable to the customer under the terms of the contract. Examples of such costs include direct material, labour and equipment costs, borrowing costs and those indirect costs relating to contract performance such as indirect labour and supplies, depreciation on construction assets, tools and repairs.

Contract losses
Losses on contracts, if any, are recognized in full in the period when such losses become probable.

Change orders, disputes and claims
Contract revenues and costs are adjusted to reflect change orders that have been approved as to both price and scope.

For change orders that have not been approved as to price, contract revenues are recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Profit on unpriced change orders is not recognized until pricing has been approved.

If there are disputes or claims regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, the Company's accounting policy is to record all costs for these change orders but not to record any revenues anticipated from these disputes until resolution is probable.

Revenue recognition – other
Revenue on consulting contracts to manage or supervise construction activity of others is recognized when consulting services are rendered.

Contract revenues are measured at the fair value of the consideration received or receivable. Where deferral of payment has a material effect on the determination of such fair value, the amount at which revenues are recognized is adjusted to account for the time-value-of-money.

Unbilled revenues represent revenues earned in excess of amounts billed on uncompleted contracts.

Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts.

Where advance payments are received from customers for the mobilization of project staff, equipment and services, the Company recognizes these amounts as liabilities and includes them in deferred revenue.

The operating cycle, or duration, of many of the Company's contracts exceeds one year. All contract related assets and liabilities of such contracts are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract.

Other revenue types
Revenues related to aggregate sales are recognized on delivery of the product or when the significant risks and rewards of ownership have been transferred to the customer.

Interest income is recognized using the effective interest method.

5.2 FINANCIAL INSTRUMENTS – CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. When, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, the investment is reclassified into the available-for-sale category.

5.3 FINANCIAL INSTRUMENTS – MEASUREMENT OF FINANCIAL ASSETS

When financial assets are recognized initially, they are measured at fair value on the date of acquisition plus directly attributable transaction costs except financial instruments carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are recognized in profit or loss.

The measurement of financial instruments after initial recognition depends on their initial classification. All financial assets are measured at fair value except for loans and receivables, held-to-maturity assets and, in rare circumstances, unquoted equity instruments whose fair values cannot be measured reliably, or derivatives linked to, and that must be settled by the delivery of, such unquoted equity instruments that cannot be measured reliably.

Investments in equity instruments that are traded in an active market are carried at fair value based on quoted market prices at the balance sheet date. Investments in equity instruments that are not quoted in an active market are measured at fair value unless fair value cannot be reliably measured. In such cases the investments are measured at cost.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in profit or loss. In addition, the Company may designate any financial asset as fair value through profit or loss on initial recognition.

Derivatives that are financial assets must be classified as financial assets at fair value through profit or loss unless they are designated as, and are effective, hedging instruments.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. This classification applies except where financial assets are derivative financial instruments, and where the Company has designated them as either fair value through profit or loss or available-for-sale, or where the assets meet the definition of loans and receivables. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are measured at amortized cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortized cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three stated categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses recognized in other comprehensive income ("OCI") until the asset is derecognized, or impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit or loss.

5.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at banks and on hand, cash in joint ventures, demand deposits, and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. The Company considers investments purchased with original maturities of three months or less to be cash equivalents.

5.5 RESTRICTED CASH

Restricted cash is cash where specific restrictions exist on the Company's ability to use this cash. Restricted cash includes cash which has been deposited as collateral for letters of credit issued by the Company or cash deposits made to secure future equity commitments in projects. Restricted cash also includes cash that is held in subsidiaries that have regulatory restrictions or that operate in countries where exchange controls or other legal restrictions apply and therefore the cash is not available for general use by the Company.

5.6 MARKETABLE SECURITIES

Marketable securities comprise short-term deposits with an original term of more than three months and equity shares traded in active markets. The short-term deposits made were classified as held-to-maturity investments and are recorded at amortized cost. The equity shares held, which are traded in active markets, were classified as available-for-sale investments with unrealized gains or losses reported in other comprehensive income and subsequently reversed to profit or loss on disposal.

5.7 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers and are recognized initially at fair value and are, where necessary, subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment.

5.8 INVENTORIES

Inventories are recorded at the lower of cost and net realizable value, with the cost of materials and supplies determined on a first-in, first-out basis and the cost of aggregate inventories determined at weighted average cost. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity.

Inventories are written down to net realizable value ("NRV") if their NRV is less than their carrying amount at the reporting date. If the NRV amount subsequently increases, the amount of the write down is reversed and recognized as a reduction in materials expense. The NRV of inventory is its estimated selling price in the ordinary course of business less applicable selling costs.

5.9 LONG-TERM FINANCIAL ASSETS

Cross Israel Highway Concession investment

Prior to its sale in 2010, the Cross Israel Highway concession investment was classified as an available-for-sale investment with unrealized gains or losses reported in other comprehensive income. These shares did not trade in an active market.

Long-term receivables and other financial assets

Long-term receivables, with terms of more than one year, are classified as loans and receivables and are stated at amortized cost using the effective interest rate method. Loans yielding interest at normal market rates are reported at face value, while non-interest bearing loans and loans not at market rates are discounted to present value using a risk adjusted discount rate.

5.10 FINANCIAL INSTRUMENTS – MEASUREMENT OF FINANCIAL LIABILITIES

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. For loans and borrowings, directly attributable transaction costs are applied against the balance of the liability. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities specifically designated upon initial recognition as fair value through profit or loss as well as derivative financial instruments that are liabilities and are not designated as hedging instruments as defined by IAS 39.

The Company has not designated any financial liabilities upon initial recognition as financial liabilities at fair value through profit or loss.

After initial recognition, gains or losses on these financial liabilities are recognized in profit or loss. All transaction costs related to financial liabilities at fair value through profit or loss are recognized as expenses.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortization is included in finance costs in the consolidated statements of income.

5.11 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the normal course of business from suppliers. Trade payables are recognized initially at fair value and are, where necessary, subsequently measured at amortized cost using the effective interest rate.

5.12 PROVISIONS

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset when reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. Where material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning liabilities

The Company has legal obligations associated with the retirement of pits and quarries utilized in aggregate mining operations. As a result, a provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on estimated future costs using information available at the balance sheet date. The provision is discounted using a current market-based pre-tax discount rate that reflects the average life of the obligations. An increase in the provision due to the passage of time is recognized as a finance cost and the provision is reduced by actual rehabilitation costs incurred. The present value of the legal obligations incurred is recognized as an inventory production cost and is included in the cost of the aggregates produced.

The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations. Changes in the amount or timing of the underlying future cash flows or changes in the discount rate are immediately recognized as an increase or decrease in the carrying amounts of related assets and the provision.

5.13 CONVERTIBLE DEBENTURES

IAS 32 "Financial Instruments: Presentation" requires convertible debentures that allow for cash settlement on conversion to be accounted for as a compound financial instrument with a debt component and a separate derivative component representing the fair value of the conversion option. Both the debt and embedded derivative components of these compound financial instruments are measured at fair value on initial recognition. The debt component is subsequently measured at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss.

The finance costs recognized in respect of the convertible debenture include interest expense based on the coupon rate of the debenture, the accretion of the liability component to the amount that will be payable on redemption, and fair value gains and losses on the embedded derivative.

5.14 HEDGING

To qualify for hedge accounting, the Company must (a) formally designate and document a hedge relationship between a qualifying hedging instrument and a qualifying hedged item at the inception of the hedge; and (b) both at inception and on an ongoing basis, demonstrate that the hedge is highly effective.

For the purpose of hedge accounting, hedges are classified as:

// Fair value hedge – a hedge of the exposure to changes in the fair value of a recognized asset or liability, or a firm commitment.
// Cash flow hedge – a hedge of the exposure to variability in cash flows of a recognized asset or liability, a firm commitment or a highly probable forecast transaction.
// Net investment hedge – a hedge of the foreign currency risk on a net investment in a foreign operation.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in OCI while the ineffective portion is recognized in net income. When hedge accounting is discontinued, the amounts previously recognized in Accumulated Other Comprehensive Income ("AOCI") are reclassified to net income during the periods when the variability in the cash flows of the hedged item affects net income. Gains and losses on derivatives are reclassified immediately to net income when the hedged item is sold or terminated early.

5.15 FINANCIAL INSTRUMENTS - FAIR VALUES

The fair value of quoted financial assets is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These techniques include: recent arm's-length market transactions; reference to current market value of another instrument which is substantially the same; discounted cash flow analysis; and pricing models.

Derivative financial instruments are valued using applicable valuation techniques.

5.16 FINANCIAL INSTRUMENTS – DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

A financial asset is derecognized when:

// the rights to receive cash flows from the asset have expired;
// the Company retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
// the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, it continues to recognize the financial asset to the extent of its continuing involvement in the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. Any loss on the derecognition of the original liability is recognized in profit or loss.

5.17 IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables and held-to-maturity investments carried at amortized cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. Objective evidence of impairment of financial assets carried at amortized cost exists if the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent the carrying value of the asset does not exceed its amortized cost at the reversal date.

Available-for-sale financial assets
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For example, in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence that the assets are impaired. For debt securities, the Company uses the criteria referred to under financial assets carried at amortized cost above. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment in respect of equity instruments classified as available-for-sale are recognized in other comprehensive income. Reversals of impairment losses on debt instruments are made through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Assets carried at cost
If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and is recognized in profit or loss for the period. Reversals of impairment losses on assets carried at cost are not permitted.

5.18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes the purchase price and the directly attributable costs of acquisition or construction costs required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. Property, plant and equipment under finance lease, where the Company has substantially all the risks and rewards of ownership, are recorded at the lower of the fair value of the leased item or the present value of the minimum lease payments at the inception of the lease.

In subsequent periods, property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, with the exception of land and assets under construction which are not depreciated but are stated at cost less any impairment in value.

Depreciation is recorded to allocate the cost, less estimated residual values of property, plant and equipment over their estimated useful lives on the following bases:

Aggregate properties are depreciated using the unit of extraction method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves.

All other assets, excluding land, are depreciated on a straight-line basis using rates that approximate the estimated useful lives of the assets as follows:

Assets	Rate
Land	Not depreciated
Buildings and leasehold improvements	10 to 40 years
Aggregate properties	Units of extraction
Machinery and equipment	2 to 15 years
Heavy mining equipment	Operating hours
Office equipment	3 to 5 years
Vehicles	1 to 5 years

The Company reviews the residual value, useful lives and depreciation method of depreciable assets on an annual basis and, where revisions are required, the Company applies such changes in estimates on a prospective basis.

The net carrying amounts of property, plant and equipment assets are reviewed for impairment either individually or at the cash-generating unit ("CGU") level when events and changes in circumstances indicate the carrying amount may not be recoverable. To the extent these carrying amounts exceed their recoverable amounts, that excess is fully recognized in profit or loss in the financial year in which it is determined.

When significant parts of property, plant and equipment are required to be replaced and it is probable that future economic benefits associated with the item will be available to the Company, the expenditure is capitalized and the carrying amount of the item replaced is derecognized. Similarly, maintenance and inspection costs associated with major overhauls are capitalized and depreciated over their useful lives where it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other costs are expensed as incurred.

5.19 BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets for periods preceding the dates the assets are available for their intended use. All other borrowing costs are recognized as interest expense in the period in which they are incurred.

5.20 GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill relating to the acquisition of subsidiaries is included on the consolidated balance sheets in concession rights and other intangible assets. Goodwill relating to the acquisition of associates is included in the investment of the associate and therefore tested for impairment in conjunction with the associate investment balance. Goodwill is not amortized but is reviewed for impairment at least annually and whenever events or circumstances indicate the carrying amount may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Company's cash-generating units generally represent either individual business units, or groups of business units that are all below the level of the Company's operating segment.

In a business combination, when the fair value attributable to the Company's share of the net identifiable assets acquired exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Internally generated goodwill is not recognized.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets

Intangible assets acquired as part of a business combination are recorded at fair value at the acquisition date if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. Separately acquired intangible assets are recorded initially at cost and thereafter are carried at cost less accumulated amortization and impairment if the asset has a finite useful life.

Intangible assets are amortized over their estimated useful lives, except indefinite life intangible assets, which management regards as having an indefinite useful life as there is no foreseeable limit to the period over which the assets are expected to generate future economic benefits.

Estimated useful lives are determined as the period over which the Company expects to use the asset and for which the Company retains control over benefits derived from use of the asset.

For intangible assets with a finite useful life, the amortization method and period are reviewed annually and impairment testing is undertaken when circumstances indicate the carrying amounts may not be recoverable.

Amortization expense on intangibles with finite lives is recognized in profit or loss as an expense item.

The major types of intangible assets and their amortization periods are as follows:

Assets	Amortization basis
Concession rights	Concession period based on estimated traffic volumes
Acquired customer backlog	Pro rata basis as backlog revenue is worked off
Licences, software and other rights	Licence period

5.21 SERVICE CONCESSION ARRANGEMENTS

IFRIC 12, "Service Concessions", applies to public-to-private service concession arrangements in which a public sector body (the grantor) controls and/or regulates the services provided by a private sector entity (the operator) relating to a concession asset.

Under IFRIC 12, the Company accounts for its concession arrangements relating to the New Quito Airport project using the intangible asset model. The Company has recognized an intangible asset for both the right to operate the Existing Quito Airport (whose profits are used to fund construction of the New Quito Airport) and the right to the concessions of the New Quito Airport once it begins operations. The concession right relating to the operations of the Existing Quito Airport was recorded at fair value on the grant date. The concession right relating to the New Airport represents the costs to construct the airport. See Note 15 for details on how these rights are amortized.

Under the intangible asset model, the operator accounts for revenue and costs relating to construction or upgrade services in accordance with IAS 11, "Construction Contracts". The operator recognizes revenue and costs relating to operation services in accordance with IAS 18, "Revenue". Any contractual obligation to maintain or restore infrastructure, except for upgrade services, is recognized in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets".

Where the Company has a contractual right to receive an intangible asset, borrowing costs are capitalized during the construction period. Otherwise, borrowing costs are expensed in the period in which they are incurred.

5.22 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets that are subject to amortization are reviewed for impairment at the end of each reporting period. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value-in-use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash-generating unit ("CGU") level.

Where a CGU, or group of CGUs, has goodwill allocated to it, or includes intangible assets that are either not available for use or that have an indefinite useful life (and can only be tested as part of a CGU), an impairment test is performed at least annually or whenever there is an indication the carrying amounts of such assets may be impaired. Corporate assets, where material to the carrying value of a CGU in computing impairment calculations, are allocated to CGUs based on the benefits received by the CGU.

If the carrying amount of an individual asset or CGU exceeds its recoverable amount, an impairment loss is recorded in profit or loss to reflect the asset at the lower amount. In assessing the value-in-use, the relevant future cash flows expected to arise from the continuing use of such assets and from their disposal are discounted to their present value using a market determined pre-tax discount rate, which reflects current market assessments of the time value of money and asset-specific risks. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties.

Similarly, a reversal of a previously recognized impairment loss is recorded in profit or loss when events or circumstances indicate that the estimates used to determine the recoverable amount have changed since the prior impairment loss was recognized and the recoverable amount of the asset exceeds its carrying amount. The carrying amount is increased to the recoverable amount but not beyond the carrying amount net of amortization, which would have arisen if the prior impairment loss had not been recognized. After such a reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Goodwill impairments are not reversed.

5.23 JOINT VENTURES

A joint venture is a contractual arrangement whereby two or more parties (the venturers) undertake an economic activity that is subject to joint control. Joint control is defined as the contractually agreed sharing of control of an economic activity and exists when the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Joint ventures fall into three categories: jointly controlled entities, jointly controlled operations and jointly controlled assets.

A jointly controlled entity involves the establishment of a separate entity such as a corporation or partnership. Jointly controlled entities are accounted for under IAS 31, "Interest in Joint Ventures", using either proportionate consolidation or equity accounting. Where the Company's activities are conducted through joint ventures, the Company accounts for these investments using the proportionate consolidation method, whereby the Company recognizes on its consolidated balance sheets its share of the assets and liabilities of joint ventures, and includes its share of the revenues and expenses of these joint ventures in profit or loss.

Jointly controlled operations and jointly controlled assets do not involve the creation of an entity that is separate from the venturers themselves. In a joint operation, each venturer uses its own resources and carries out its own part of a joint operation separately from the activities of the other venturer(s). Each venturer owns and controls its own resources that it uses in the joint operation. Jointly controlled assets involve the joint ownership of one or more assets. Where an entity has an interest in jointly controlled operations or jointly controlled assets, it accounts for its share of the assets, liabilities, revenues and expenses and cash flows under the arrangement.

Transactions with joint ventures

Where the Company contributes or sells assets to a joint venture, the Company recognizes only that portion of the gain or loss that is attributable to the interests of the other venturers.

Where the Company purchases assets from a joint venture, the Company does not recognize its share of the profit or loss of the joint venture from the transaction until it resells the assets to an independent party.

The Company adjusts joint venture financial statement amounts, if required, to reflect consistent accounting policies.

5.24 ASSOCIATES

Entities in which the Company has significant influence and which are neither subsidiaries, nor joint ventures, are accounted for using the equity method of accounting. Under the equity method of accounting, the Company's investments in associates are carried at cost and adjusted for post-acquisition changes in the net assets of the investment. Profit or loss reflects the Company's share of the results of these investments. The consolidated statements of comprehensive income include the Company's share of any amounts recognized by associates in other comprehensive income.

Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of that change in equity.

The financial statements of the associates are generally prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist in the underlying records of the associate. Adjustments are made in the consolidated financial statements to eliminate the Company's share of unrealized gains and losses on transactions between the Company and its associates.

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence, and from that date accounts for the investment in accordance with IAS 39, "Financial Instruments: Recognition and Measurement" (its initial costs are the carrying amount of the associate on that date), provided the investment does not then qualify as a subsidiary or joint venture.

5.25 LEASES

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the term of the lease.

Finance leases
Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in obligations under finance leases on the balance sheet. The interest element of the finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

5.26 EMPLOYEE BENEFIT PLANS

The Company recognizes the cost of retirement benefits over the periods in which employees are expected to render services in return for the benefits.

The Company sponsors defined benefit pension plans (which had their membership frozen as of January 1, 1998) and defined contribution pension plans for its salaried employees. The Company matches employee contributions to the defined contribution plans, which are based on a percentage of salaries. For the defined contribution pension plans the contributions are recognized as employee benefit expense when they are earned.

For the defined benefit pension plans, current service costs are charged to operations as they accrue based on services rendered by employees during the year. Pension benefit obligations are determined annually by independent actuaries using management's best estimate assumptions. The plan's assets are measured at fair value. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Actuarial gains and losses are recognized in other comprehensive income as they arise. Past service costs are recognized immediately in profit or loss unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

5.27 CURRENT AND DEFERRED INCOME TAXES

Current income tax is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Current tax includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred income tax is provided using the asset and liability method on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred income taxes are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax is provided on temporary differences associated with investments in subsidiaries, associates or joint ventures, except where the timing of the reversal of temporary differences can be controlled and it is probable the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilized.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Current and deferred tax relating to items recognized directly in equity and other comprehensive income are recognized in equity and other comprehensive income and not in profit or loss.

Current income tax assets and liabilities or deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the income taxes relate to the same taxable entity and the same tax authority.

5.28 DIVIDENDS

A provision is not made for dividends unless the dividends have been declared by the Board of Directors on or before the end of the period and not distributed at the reporting date.

5.29 STOCK-BASED COMPENSATION

The Company has stock-based compensation plans, as described in Note 27 Capital Stock. All transactions involving share-based payment are recognized as an expense over the vesting period.

Equity-settled share-based payment transactions, such as stock option awards and the Company's long-term incentive plan, are measured at the grant date fair value of employee services received in exchange for the grant of options or share awards and for non-employee transactions, at the fair value of the goods or services received at the date on which the entity recognizes the goods or services. The total amount of the expense recognized in profit or loss is determined by reference to the fair value of the share awards or options granted, which factors in the number of options expected to vest. Equity-settled share-based payment transactions are not re-measured once the grant date fair value has been determined, except in cases where the share-based payment is linked to non-market related performance conditions.

Cash-settled share-based payment transactions are measured at the fair value of the liability. The liability is remeasured at each balance sheet date and at the date of settlement, with changes in fair value recognized in profit or loss.

5.30 EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is determined by dividing profit attributable to shareholders of the Company, excluding, if applicable, preferred dividends after-tax, amortization of discounts and premiums on issuance, premiums on repurchases, inducements to convert relating to convertible debentures and any costs of servicing equity other than common shares, by the weighted average number of common shares outstanding during the period.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential common shares and the weighted average number of shares assumed to have been issued in relation to dilutive potential common shares.

Potential dilutive common shares result from issuances of stock options and convertible debentures and from shares held by the trustee of the Long-term Incentive Plan.

5.31 FOREIGN CURRENCY TRANSLATION

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

Transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and resulting from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in other comprehensive income for qualifying cash flow hedges and for qualifying net investment hedges.

All foreign exchange gains and losses presented in profit or loss are presented within other income (loss).

Changes in the fair value of monetary securities denominated in a foreign currency classified as available-for-sale are separated between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

Translation of foreign entities
Assets and liabilities are translated from the functional currency to the presentation currency at the closing rate at the end of the reporting period. The statement of income is translated at exchange rates at the dates of the transactions or at the average rate if it approximates the actual rates. All resulting exchange differences are recognized in other comprehensive income.

On disposal, or partial disposal, of a foreign entity, or repatriation of the net investment in a foreign entity, resulting in a loss of control, significant influence or joint control, the cumulative translation account balance recognized in equity relating to that particular foreign entity is recognized in profit or loss as part of the gain or loss on sale. On a partial disposition of a subsidiary that does not result in a loss of control, the amounts are reallocated to the non-controlling interest in the foreign operation based on their proportionate share of the cumulative amounts recognized in AOCI. On partial dispositions of jointly controlled foreign entities or associates, the proportionate share of translation differences previously recognized in AOCI is reclassified to profit or loss.

5.32 BUSINESS COMBINATIONS

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary includes the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date. For each acquisition, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this amount is less than the fair value of the net assets of the subsidiary acquired, such as in the case of a bargain purchase, the difference is recognized directly to profit or loss.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent and are presented in equity in the consolidated balance sheets, separately from the parent's shareholders' equity.

5.33 OPERATING SEGMENTS

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

6. FUTURE ACCOUNTING CHANGES

The International Accounting Standards Board ("IASB") amended IAS 1 "Presentation of Financial Statements". The amendment changes the disclosure of items presented in other comprehensive income. IAS 1 will require presentation of items in other comprehensive income into two separate groups based on whether or not those items may be recycled to profit or loss in the future. This amendment is effective for years beginning on or after July 1, 2012.

The IASB amended IAS 19 "Employee Benefits". The amendment changes recognition and measurement standards for defined benefit pension expense and termination benefits. The amendment also introduces expanded disclosure requirements. This amendment is effective for years beginning on or after January 1, 2013.

The IASB amended IFRS 7 "Financial Instruments: Disclosure" and IAS 32 "Financial Instruments: Presentation" to enhance disclosure requirements and clarify the requirements for the offsetting of financial assets and liabilities. The amendments are effective for years beginning on or after January 1, 2013 and January 1, 2014, respectively.

The IASB issued IFRS 9 "Financial Instruments: Classification and Measurement". This is the first part of a new standard on the classification and measurement of financial assets that will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest, otherwise it is at fair value through profit or loss. IFRS 9 was also updated to include guidance on financial liabilities and derecognition of financial instruments. This guidance is similar to the guidance included in IAS 39 relating to financial liabilities and derecognition of financial instruments. IFRS 9 is effective for years beginning on or after January 1, 2015.

The IASB issued IFRS 10 "Consolidated Financial Statements", which replaces the current guidance in IAS 27 "Consolidated and Separate Financial Statements", and SIC 12 "Consolidation: Special Purpose Entities". IFRS 10 changes the definition of control in IFRS so that the same criteria are applied to all entities to determine control. IFRS 10 is effective for years beginning on or after January 1, 2013.

The IASB issued IFRS 11 "Joint Arrangements", which replaces the current guidance in IAS 31 "Interests in Joint Ventures". IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires equity accounting for interests in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities in IAS 31. Accounting for joint operations will follow accounting similar to that for jointly controlled assets and jointly controlled operations under IAS 31. IFRS 11 is effective for years beginning on or after January 1, 2013.

The IASB issued IFRS 12 "Disclosure of Interests in Other Entities", which details the disclosure requirements for entities reporting under IFRS 10 and IFRS 11. IFRS 12 also replaces the disclosure requirements in IAS 28 "Investments in Associates". IFRS 12 is effective for years beginning on or after January 1, 2013.

The IASB issued IFRS 13 "Fair Value Measurement", which provides one source of guidance on measuring fair value. The standard also enhances the disclosure requirements about fair value measurements. IFRS 13 is effective for years beginning on or after January 1, 2013.

The IASB issued IFRIC 20 "Stripping Costs In The Production Phase Of A Surface Mine", which provides guidance on the accounting for overburden waste removal in the production phase of a mine. IFRIC 20 is effective for years beginning on or after January 1, 2013.

The Company has not yet determined the impact the above noted IAS and IFRS will have on its consolidated financial statements and does not, at this time, plan to adopt any of them prior to their effective dates.

7. CASH AND CASH EQUIVALENTS

	December 31 2011	December 31 2010	January 1 2010
	$	$	$
Consolidated balance excluding Joint Ventures and Build Finance SPVs	**122,772**	173,059	261,425
Joint Ventures	**50,157**	68,697	31,113
Build Finance SPVs	**2,279**	9,106	48,355
	175,208	250,862	340,893

Cash and cash equivalents on deposit in joint venture bank accounts cannot be accessed directly by the Company. Cash and cash equivalents also include cash advanced by lenders to finance the construction of build finance projects through individual Build Finance Special Purpose Vehicles ("Build Finance SPVs"). Cash held in Quiport JV is included in restricted cash (see Note 8).

8. RESTRICTED CASH

	December 31 2011	December 31 2010	January 1 2010
	$	$	$
Consolidated balance excluding Joint Ventures	**5,867**	5,734	7,802
Joint Ventures	**40,215**	52,057	46,243
	46,082	57,791	54,045

Restricted cash includes cash that was deposited as collateral for borrowings and letters of credit issued by the Company or to secure future equity investment requirements in Quiport JV, as well as cash held in Quiport JV. As such, this cash is not available for general operating purposes.

9. MARKETABLE SECURITIES

	December 31 2011	December 31 2010	January 1 2010
	$	$	$
Joint Ventures	**725**	–	–
Build Finance SPVs	**–**	–	19,509
	725	–	19,509

Marketable securities held by Joint Ventures and Build Finance SPVs consisted of highly liquid interest bearing securities with maturities of up to one year.

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

10. TRADE AND OTHER RECEIVABLES

	December 31 2011	December 31 2010	January 1 2010
	$	$	$
Trade receivables	**356,592**	370,519	322,644
Allowance for doubtful accounts	**(1,627)**	(4,645)	(6,570)
	354,965	365,874	316,074
Holdbacks receivable	**168,386**	161,450	126,709
Other	**9,884**	743	9,762
	178,270	162,193	136,471
Total	**533,235**	528,067	452,545
Amounts receivable beyond one year	**33,526**	90,674	39,337

A reconciliation of the beginning and ending carrying amounts of the Company's allowance for doubtful accounts is as follows:

	December 31 2011	December 31 2010
	$	$
Balance at the beginning of the period	**(4,645)**	(6,570)
Additional amounts provided for during the period	**(1,294)**	(1,109)
Trade receivables written off during the period	**2,685**	1,673
Amounts recovered	**1,627**	1,361
Balance at the end of the period	**(1,627)**	(4,645)

11. UNBILLED REVENUE AND DEFERRED REVENUE

Costs incurred and estimated earnings (i.e. earned revenue), net of billings, on uncompleted contracts is presented in the consolidated balance sheets under the following captions:

	December 31 2011	December 31 2010
	$	$
Earned revenue on projects to date	**5,457,960**	5,222,164
Less: billings on projects to date	**5,316,499**	4,963,627
Net Balance Sheet position	**141,461**	258,537
Reported as:		
Unbilled revenue	**249,557**	392,860
Deferred revenue	**(108,096)**	(134,323)
	141,461	258,537

12. INVENTORIES

	December 31 2011	December 31 2010	January 1 2010
	$	$	$
Raw materials and supplies	**8,365**	4,241	5,689
Work in progress	**–**	190	784
Finished goods	**22,134**	20,798	26,969
	30,499	25,229	33,442

13. LONG-TERM FINANCIAL ASSETS

		December 31 2011	December 31 2010	January 1 2010
Cross Israel Highway concession investment	(a)	–	–	69,520
Long-term receivables	(b)	15	29	9,188
Income tax deposit		5,414	5,414	5,414
Commitment fees		1,648	1,643	–
Other		1,427	2,501	2,611
		8,504	9,587	86,733

(a) Cross Israel Highway ("CIH") concession investment

On December 31, 2010, the Company sold its 25% interest in the CIH concessionaire. The sale yielded gross proceeds of $82,329 and the Company realized a pre-tax gain on sale of $36,111 included in other income (See Note 30).

(b) Long-term receivables

Long-term receivables totalling $9,146 at January 1, 2010, from Derech Eretz and Derech Eretz Telecom Ltd. were settled in 2010 as part of the sale of the Company's interest in the CIH concessionaire.

14. CONSTRUCTION PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD

The Company performs some construction projects through non-consolidated entities. The Company's participation in construction project entities where the Company exercises significant influence (i.e. associates), but does not control or jointly control the entity, are accounted for using the equity method.

The Company's share of assets, liabilities, revenues and expenses of construction project entities accounted for using the equity method is as follows:

	December 31 2011	December 31 2010	January 1 2010
Assets	25,337	26,950	9,690
Liabilities	(7,406)	(15,077)	(7,019)
Net investment in construction projects accounted for using the equity method	17,931	11,873	2,671

Revenue and expenses for the year ended were as follows:

	December 31 2011	December 31 2010
Revenue	84,253	53,794
Expenses	(70,195)	(53,389)
Share of profits before income taxes	14,058	405

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment furniture and fixtures and computer hardware	Vehicles	Heavy equipment	**Total property plant and equipment**
	$	$	$	$	$	$	$	**$**
Cost								
Balance at January 1, 2011	33,483	68,678	49,193	165,032	27,710	64,279	183,018	**591,393**
Additions	–	5,085	1,387	38,897	5,729	8,412	51,626	**111,136**
Disposals	–	(294)	–	(7,051)	(5,294)	(7,448)	(17,783)	**(37,870)**
Foreign currency translation adjustments	–	6	–	–	(90)	(12)	–	**(96)**
Balance at December 31, 2011	33,483	73,475	50,580	196,878	28,055	65,231	216,861	**664,563**
Accumulated depreciation and impairment								
Balance at January 1, 2011	–	16,901	7,684	68,539	16,795	35,216	1,982	**147,117**
Depreciation	–	4,401	2,132	17,426	4,516	11,426	9,558	**49,459**
Disposals	–	(192)	–	(3,323)	(3,858)	(6,520)	(215)	**(14,108)**
Foreign currency translation adjustments	–	6	–	–	(57)	(2)	-	**(53)**
Balance at December 31, 2011	–	21,116	9,816	82,642	17,396	40,120	11,325	**182,415**
Net book value as at December 31, 2011	**33,483**	**52,359**	**40,764**	**114,236**	**10,659**	**25,111**	**205,536**	**482,148**
Net book value as at January 1, 2011	**33,483**	**51,777**	**41,509**	**96,493**	**10,915**	**29,063**	**181,036**	**444,276**
Amounts under finance leases as at December 31, 2011	**–**	**–**	**135**	**30,328**	**5,233**	**21,074**	**16,779**	**73,549**

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment furniture and fixtures and computer hardware	Vehicles	Heavy equipment	**Total property plant and equipment**
	$	$	$	$	$	$	$	**$**
Cost								
Balance at January 1, 2010	27,396	59,263	46,556	131,322	22,619	60,974	–	**348,130**
Additions	–	8,491	3,260	26,662	5,451	10,188	11,446	**65,498**
Additions due to business combinations	6,172	1,300	725	13,095	6	1,917	171,572	**194,787**
Disposals	(85)	(346)	(1,348)	(6,047)	(396)	(8,795)	–	**(17,017)**
Foreign currency translation adjustments	–	(30)	–	–	30	(5)	–	**(5)**
Balance at December 31, 2010	33,483	68,678	49,193	165,032	27,710	64,279	183,018	**591,393**
Accumulated depreciation and impairment								
Balance at January 1, 2010	–	13,568	6,524	58,727	13,094	35,132	–	**127,045**
Depreciation	–	3,452	1,570	12,989	4,051	9,366	1,982	**33,410**
Disposals	–	(115)	(410)	(3,177)	(360)	(9,276)	–	**(13,338)**
Foreign currency translation adjustments	–	(4)	–	–	10	(6)	–	**–**
Balance at December 31, 2010	–	16,901	7,684	68,539	16,795	35,216	1,982	**147,117**
Net book value as at December 31, 2010	**33,483**	**51,777**	**41,509**	**96,493**	**10,915**	**29,063**	**181,036**	**444,276**
Net book value as at January 1, 2010	**27,396**	**45,695**	**40,032**	**72,595**	**9,525**	**25,842**	**–**	**221,085**
Amounts under finance leases as at December 31, 2010	**–**	**–**	**135**	**18,981**	**3,735**	**23,114**	**–**	**45,965**

16. CONCESSION RIGHTS AND OTHER INTANGIBLE ASSETS

	Concession rights	Goodwill	Acquired customer backlog	Licences, software and other rights	**Total**
	$	$	$	$	**$**
Cost					
Balance at January 1, 2011	270,960	53,783	25,631	15,915	**366,289**
Additions:					
Acquired separately	69,613	–	–	2,304	**71,917**
Interest capitalized	13,700	–	–	–	**13,700**
Disposals	–	–	–	(1,668)	**(1,668)**
Foreign currency translation adjustments	8,370	–	–	(46)	**8,324**
Balance at December 31, 2011	**362,643**	**53,783**	**25,631**	**16,505**	**458,562**
Accumulated amortization and impairment					
Balance at January 1, 2011	50,743	–	17,353	6,347	**74,443**
Amortization	3,402	–	6,920	2,767	**13,089**
Disposals	–	–	–	(1,197)	**(1,197)**
Foreign currency translation adjustments and other changes	1,246	–	–	(60)	**1,186**
Balance at December 31, 2011	**55,391**	**–**	**24,273**	**7,857**	**87,521**
Net book value as at December 31, 2011	**307,252**	**53,783**	**1,358**	**8,648**	**371,041**
Net book value as at January 1, 2011	**220,217**	**53,783**	**8,278**	**9,568**	**291,846**

	Concession rights	Goodwill	Acquired customer backlog	Licences, software and other rights	**Total**
	$	$	$	$	**$**
Cost					
Balance at January 1, 2010	264,145	50,961	24,631	12,544	**352,281**
Additions:					
Acquired separately	9,368	–	–	3,419	**12,787**
Acquired through business combinations	–	2,822	1,000	–	**3,822**
Interest capitalized	13,041	–	–	–	**13,041**
Disposals	–	–	–	(59)	**(59)**
Foreign currency translation adjustments	(15,594)	–	–	11	**(15,583)**
Balance at December 31, 2010	270,960	53,783	25,631	15,915	**366,289**
Accumulated amortization and impairment					
Balance at January 1, 2010	48,448	–	9,747	3,291	**61,486**
Amortization	4,416	–	7,606	2,945	**14,967**
Disposals	–	–	–	50	**50**
Foreign currency translation adjustments and other changes	(2,121)	–	–	61	**(2,060)**
Balance at December 31, 2010	50,743	–	17,353	6,347	**74,443**
Net book value as at December 31, 2010	**220,217**	**53,783**	**8,278**	**9,568**	**291,846**
Net book value as at January 1, 2010	**215,697**	**50,961**	**14,884**	**9,253**	**290,795**

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

Amortization of intangible assets is included in the depreciation and amortization expense line item on the consolidated statement of income.

CONCESSION RIGHTS – EXISTING AND NEW QUITO AIRPORTS

The Company holds a 42.3% effective economic interest in Corporacion Quiport S.A. ("Quiport JV"), an Ecuadorian company whose main operations consist of:

(a) managing and operating the existing Mariscal Sucre International Airport (the "Existing Quito Airport") until its operations are transferred to a new airport; and
(b) the development, financing, construction, operation and maintenance of the new Quito International Airport ("New Quito Airport") under a concession arrangement with Corporacion Aeropuerto y Zona Franca del Distrito Metropolitano de Quito ("CORPAQ"). Under the concession contract with CORPAQ, Quiport JV was awarded a 35-year concession from January 27, 2006. Once the concession period expires, all the facilities will be returned to CORPAQ. Income earned from operating the Existing Quito Airport must be reinvested in the New Quito Airport.

The right to operate the Existing Quito Airport was initially recognized at fair value and the Company's proportionate share of this concession right was assigned a value of $64,000 at the date of financial close in 2006. At December 31, 2011, this concession right had a remaining carrying amount of $2,921 (December 31, 2010 - $6,284). Quiport JV amortizes this concession right over the remaining term of the right to operate the Existing Quito Airport. The New Quito Airport is expected to open in October 2012.

At December 31, 2011, the concession right for the New Quito Airport, representing the Company's proportionate share of the costs to construct the New Quito Airport, had a carrying amount of $304,331 (December 31, 2010 - $213,933). Amortization of this concession right will commence after construction of the New Quito Airport is completed.

Goodwill

The following cash-generating units ("CGUs") or groups of CGUs have significant amounts of goodwill allocated to them for the purposes of impairment testing:

	December 31 2011	December 31 2010	January 1 2010
	$	$	$
Cash-Generating Unit:			
Industrial-Western Canada			
Mechanical business unit	**17,039**	17,039	17,039
Canadian roadbuilding CGU	**15,744**	15,744	15,744
Industrial-Western Canada			
Heavy Industrial business unit	**12,345**	12,345	12,345
Other cash-generating units	**8,655**	8,655	8,655
	53,783	53,783	53,783

The recoverable amounts of the above listed CGUs were determined based on value-in-use calculations. Value-in-use calculations use pre-tax cash flow projections expected to be generated by the CGU based on financial budgets approved by management covering a two-year period. For the CGUs noted above, cash flows beyond the two-year period were extrapolated at December 31, 2011 using a growth rate of 2%, which does not exceed the long-term average growth rate for the business in which the CGUs operate. The discount rate applied to cash flow projections at December 31, 2011 was approximately 10% based on the Company's pre-tax weighted average cost of capital. Management determined budgeted cash flows based on the Company's past performance, backlog currently on hand and future growth prospects.

17. BANK INDEBTEDNESS

There were no borrowings under the Company's line of credit as at December 31, 2011 and 2010.

The Company maintains a $262,500 committed credit facility with a syndicate of lenders, which expires May 31, 2014. Letters of credit amounting to $46,965 were issued against the credit facility as at December 31, 2011. Cash drawings under the facility bear interest at rates ranging from prime to prime plus 0.85% per annum. Standby fees, which are payable quarterly on the unused operating line balance, range from 25 to 52.5 basis points per annum.

The Company also maintains two additional letters of credit facilities (a $75,000 domestic facility and a US$15,000 international facility) provided by Export Development Canada, of which $60,823 was utilized as at December 31, 2011.

Drawings on the facility are secured by a general security agreement which provides the lenders with a first priority ranking security interest, subject to existing encumbrances, over certain existing and future assets of the Company. Security is also provided by way of a $90,000 collateral mortgage, subject to existing encumbrances, over certain aggregate properties owned by the Company, and by guarantees from all entities that are required to provide security under the general security agreement.

18. TRADE AND OTHER PAYABLES

	December 31 2011	December 31 2010	January 1 2010
	$	$	$
Trade payables and accrued liabilities	437,965	489,411	380,157
Holdbacks payable	98,532	94,805	73,385
	536,497	584,216	453,542
Amounts payable beyond one year	5,894	54,288	14,418

19. PROVISIONS

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
	$	$	$	$	$
	(a)	(b)	(c)		
Balance at January 1, 2011	11,288	3,081	17,145	1,057	32,571
Amounts used	(2,062)	(200)	–	(565)	(2,827)
Additions made	4,718	225	804	124	5,871
Unused amounts reversed	(211)	(55)	–	(476)	(742)
Changes due to discounting, passage of time and discount rate changes	310	160	–	–	470
Balance at December 31, 2011	**14,043**	**3,211**	**17,949**	**140**	**35,343**
Reported as:					
Current	**10,980**	**–**	**–**	**140**	**11,120**
Non-current	**3,063**	**3,211**	**17,949**	**–**	**24,223**
	14,043	**3,211**	**17,949**	**140**	**35,343**

(a) Contract related obligations are made up of contract warranty obligations and litigation risks relating to construction operations. Contract warranty obligations relate to warranties provided by the Company in respect of its construction contracts. If not used during the warranty period, these amounts will be reversed into income. Warranty periods range from one to seven years. During 2011 the Company added $2,500 to its provision in respect of a legal dispute resulting from its prior involvement in the construction of a grain terminal in Gdansk, Poland. The dispute was settled in 2011 and the amount owing by the Company was paid in early 2012.

(b) Asset decommissioning costs relate to future legal and constructive obligations associated with the retirement of pits and quarries engaged in aggregate mining operations in Ontario and Alberta. Decommissioning obligations are expected to be settled between 2011 and 2108 at which point the amount of the liability will reverse. A 3% inflation factor has been applied to obtain the future value of the decommissioning costs, which has been discounted at a rate of 6% to obtain the present value of the obligation.

(c) Tax assessments include provisions for specific income tax exposures faced by the Company. Among these exposures are federal income tax reassessments relating to deductions claimed by predecessor companies between 1993 and 1999. The reassessments, which disallow previously claimed Canadian development expense ("CDE") deductions, amounted to $10,581. Provincial income tax reassessments related to the disallowed CDE and received to date amount to $804. Although the Company has filed Notices of Objection, it was required to pay 50% of the federally assessed amounts and 100% of the Ontario provincial assessments pending resolution of the objections. The Company has paid $5,414 resulting from these assessments. The total potential federal and provincial reassessments before any provisions, including income taxes, interest and penalties could be up to $25,600 as at December 31, 2011. The Company believes it has adequate provisions to cover the ultimate outcome of this and other tax reassessments. The timing of resolution of the proceedings is not determinable at this time.

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

20. LONG-TERM DEBT

		December 31 2011	December 31 2010	January 1 2010
		$	$	$
Non-recourse project debt:				
Infrastructure Ontario project debt	(a)	**48,387**	207,177	165,348
Quiport JV project financing	(b)	**141,371**	109,157	115,682
Other joint venture project debt		**4,065**	–	5,212
		193,823	316,334	286,242
Long-term debt:				
Equipment loans	(c)	**113,952**	93,096	42,935
Finance leases	(d)	**86,738**	63,099	29,925
Notes payable		**6,577**	16,459	17,742
Mortgages		**821**	1,053	5,791
Other		**183**	6,195	5,375
		208,271	179,902	101,768
Total long-term debt		**402,094**	496,236	388,010
Reported as:				
Current liabilities:				
Non-recourse project debt		**56,745**	289,001	216,825
Long-term debt		**65,690**	50,467	24,373
Non-current liabilities:				
Non-recourse project debt		**137,078**	27,333	69,417
Long-term debt		**142,581**	129,435	77,395
		402,094	496,236	388,010

The following describes the components of long-term debt:

(a) The Company is involved in build finance hospital projects with Infrastructure Ontario. These projects are being financed by non-recourse project debt during the construction period through the use of a build finance special purpose vehicle. At December 31, 2011, project financing for these projects totalled $48,387 (2010 - $207,177). Repayments are entirely funded from lump sum payments by Infrastructure Ontario either entirely at the completion of construction or as project milestones are achieved. The outstanding debt balance is scheduled to be repaid in 2012. The project debt, which is secured by the assets of the respective project, bears interest at an annual rate of 5.57%.

(b) The total financing commitment made by the Project Senior Lenders to Quiport JV is US$376,388 of which, US$324,228 (2010 - US$241,207) had been advanced as at December 31, 2011. Included in the Company's consolidated balance sheets at December 31, 2011 is debt, net of transaction costs, of US$139,008 (CA$141,371) (2010 - US$109,750 or CA$109,157) representing the Company's proportionate share of Quiport JV debt. This debt is secured by the assets of Quiport JV and is without recourse to the Company.

The financing is denominated in US dollars with due dates up to December 2023 and with annual interest rates fluctuating between 4.50% and 10.65%.

All interest costs are capitalized during construction (see Note 16). Debt repayments commenced in 2010 and are scheduled to continue until 2023.

In July 2009, as a result of a legal ruling (the "Airports Ruling") issued by the Constitutional Court of Ecuador, with respect to the public nature of revenues collected by the concessionaire, a formal contractual dispute was declared and the Quito Airport Project's (the "Project") financing was suspended. In February 2011, the Company announced the successful finalization of the Project's restructuring, that project financing had resumed, and that all defaults relating to the Airports Ruling were waived. As a result, the Company's proportionate share of the non-recourse project financing which was previously classified as a current liability on the Company's consolidated balance sheets at December 31, 2010 and January 1, 2010 has been reclassified as a long-term liability at December 31, 2011.

(c) At December 31, 2011, equipment loans of $113,952 (2010 - $93,096) bore interest at fixed and floating rates averaging 5.54% (2010 - 5.86%) per annum, with specific equipment provided as security (see Note 15).

(d) At December 31, 2011, finance leases of $86,738 (2010 - $63,099) bore interest at fixed and floating rates averaging 4.90% (2010 - 5.11%) per annum, with specific equipment provided as security (see Note 15).

The weighted average interest rate on total long-term debt outstanding (excluding convertible debentures) at December 31, 2011 was 6.04% (2010 - 5.54%).

21. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	December 31 2011	December 31 2010	January 1 2010
	$	$	$
Debt component reported as long-term liability:			
Debenture maturing October 31, 2015	**85,254**	83,476	–
Debenture maturing September 30, 2014	**160,325**	156,156	152,022
	245,579	239,632	152,022
Embedded derivative reported as long-term liability:			
Debenture maturing October 31, 2015	**2,872**	4,778	–
Debenture maturing September 30, 2014	**2,978**	5,341	20,615
	5,850	10,119	20,615
Total convertible debentures	**251,429**	249,751	172,637

On October 8, 2010 and September 29, 2009, the Company issued $92,000 and $172,500, respectively, of unsecured subordinated convertible debentures maturing October 31, 2015 and September 30, 2014, respectively. The 2015 and 2014 convertible debentures bear interest at rates of 6.25% and 7.0% per annum, respectively, payable on a semi-annual basis. At the holder's option, both issuances of convertible debentures may be converted into common shares of the Company at any time up to the maturity dates at a conversion price of $19.00 for each common share, subject to adjustment in certain circumstances. The 2015 and 2014 convertible debentures will not be redeemable before October 31, 2013 and September 30, 2012, respectively. From October 31, 2013 and September 30, 2012 through to the maturity dates, the Company may, at its option, redeem the convertible debentures, in whole or in part, at par plus accrued and unpaid interest provided the weighted average closing price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. At December 31, 2011, the face values of the 2015 and 2014 convertible debentures, which remain outstanding, were $92,000 and $172,500, respectively.

Subject to specified conditions, the Company has the right to repay the outstanding principal amount of the convertible debentures, on maturity or redemption, through the issuance of common shares of the Company. The Company also has the option to satisfy its obligation to pay interest through the issuance and sale of additional common shares of the Company. Additionally, the Company has the option, subject to the prior agreement of the holders, to settle its obligations on conversion by way of a cash payment of equal value.

As noted above, the convertible debentures contain a cash settlement feature which, under IAS 32, "Financial Instruments: Presentation", is accounted for as a compound instrument with two components: a debt component and a derivative component, the latter representing the fair value of the conversion option offered to the debenture holders. Both the debt and embedded derivative components of these compound financial instruments are measured at fair value on initial recognition. The debt component is subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss.

Finance income (costs) associated with the debentures consists of:

	December 31 2011	December 31 2010
	$	$
Interest expense on face value	**(17,780)**	(13,367)
Notional interest representing accretion	**(5,947)**	(4,545)
Fair value gains (losses) on convertible debentures	**4,269**	14,938
	(19,458)	(2,974)

At December 31, 2011, the convertible debentures have an estimated fair value of $272,175 (2010 – $276,121).

22. CONCESSION RELATED DEFERRED REVENUE

As part of acquiring, in 2006, the rights to operate the Existing Quito Airport (see Note 16), the Company recorded concession related deferred revenue of $58,313 being the Canadian dollar equivalent of US$57,337 at December 31, 2011 exchange rates (2010 – US$57,337 or CA$57,028). Concession related deferred revenue represents the estimated value of the "inducement" received by Quiport JV to develop, finance and operate the New Quito Airport.

As at June 28, 2006, CORPAQ also provided Quiport JV with net assets of US$3,897, being the Canadian equivalent of $3,963 at December 31, 2011 exchange rates (2010 – US$3,897 or CA$3,876). These net assets, which were received by Quiport JV between the date the concession went into effect (January 27, 2006) and the date of financial close (June 28, 2006), represent additional inducements and have been classified as concession related deferred revenue in the consolidated balance sheets.

Concession related deferred revenue at December 31, 2011, also includes $2,990 (2010 – $2,990) received in 2006 as development funds and cost reimbursements related to the Quito Airport Project.

All the above concession deferred revenue amounts will be amortized to earnings over the term of the New Quito Airport concession period.

23. INCOME TAXES

The gross movement on the deferred income tax account is as follows:

	December 31 2011	December 31 2010
	$	$
At January 1	**(40,027)**	(36,210)
Exchange differences	**(584)**	599
Disposals (acquisitions) of subsidiaries	**97**	(420)
Income statement charge	**8,147**	(9,366)
Tax charge (credit) relating to components of other comprehensive income	**1,247**	5,370
At December 31	**(31,120)**	(40,027)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

The movement in the components of deferred income taxes is as follows:

	2011					2010				
	January 1	(Charged) credited to the income statement	(Charged) credited to other comprehensive income	Other	December 31	January 1	(Charged) credited to the income statement	(Charged) credited to other comprehensive income	Other	December 31
	$	$	$	$	$	$	$	$	$	$
Deferred tax assets										
Canadian components:										
Net operating and capital losses carried forward	46,460	27,095	–	–	73,555	17,886	28,574	–	–	**46,460**
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	4,482	(2,087)	–	–	2,395	6,308	(1,826)	–	–	**4,482**
Actuarial gains and losses	1,818	–	1,247	–	3,065	2,775	(427)	(530)	–	**1,818**
Offset in deferred tax liabilities	(8,007)	(30,786)	–	–	(38,793)	(1,165)	(6,842)	–	–	**(8,007)**
Total Canadian deferred income tax assets	**44,753**	**(5,778)**	**1,247**	**–**	**40,222**	**25,804**	**19,479**	**(530)**	**–**	**44,753**
Deferred tax liabilities										
Canadian components:										
Property, plant and equipment: net book value in excess of tax basis	(18,103)	(12,036)	–	–	(30,139)	(15,412)	(2,271)	–	(420)[2]	**(18,103)**
Long-term contracts, including joint ventures[1]	(51,845)	(8,139)	–	–	(59,984)	(33,393)	(18,452)	–	–	**(51,845)**
Other temporary differences	(2,389)	1,809	–	97 [2]	(483)	(4,851)	2,462	–	–	**(2,389)**
Other long-term differences	(6,959)	2,632	–	–	(4,327)	2,751	(9,710)	–	–	**(6,959)**
Mark-to-market adjustment on available for sale	–	–	–	–	–	(5,900)	–	5,900	–	**–**
Convertible debentures and related embedded derivatives	(1,873)	(955)	–	–	(2,828)	1,858	(3,731)	–	–	**(1,873)**
Offset in deferred tax assets	8,007	30,786	–	–	38,793	1,165	6,842	–	–	**8,007**
Total Canadian deferred income tax liabilities	(73,162)	14,097	–	97	(58,968)	(53,782)	(24,860)	5,900	(420)	**(73,162)**
Foreign components:										
Long-term contracts, including joint ventures	(11,618)	(172)	–	(584)[3]	(12,374)	(8,232)	(3,985)	–	599 [3]	**(11,618)**
Total deferred income tax liabilities	**(84,780)**	**13,925**	**–**	**(487)**	**(71,342)**	**(62,014)**	**(28,845)**	**5,900**	**179**	**(84,780)**
Total deferred income tax liabilities, net	**(40,027)**	**8,147**	**1,247**	**(487)**	**(31,120)**	**(36,210)**	**(9,366)**	**5,370**	**179**	**(40,027)**

(1) Results from the difference between the use of the percentage of completion method of reporting for consolidated financial statements purposes and use of the uncompleted contracts and billings less costs, excluding contractual holdbacks, for tax purposes.
(2) Deferred tax on disposals (acquisitions) of subsidiaries.
(3) Foreign exchange translation adjustment.

Deferred tax assets are offset against deferred tax liabilities within each legal entity.

The operations of the Company are complex and related tax interpretations, regulations and legislation are subject to change. The Company believes the amounts reported as deferred income tax liabilities adequately reflect management's current best estimate of its income tax exposures (see Note 19).

Income tax expense:

	December 31 2011	December 31 2010
	$	$
Current tax on profits for the year	**(19,642)**	(943)
Adjustments in respect of prior years	**81**	989
Total current tax	**(19,561)**	46
Origination and reversal of temporary differences	**3,003**	(10,683)
Reversal of prior period tax provision	**3,088**	–
Impact of change in enacted tax rates on deferred tax balances	**2,056**	1,317
Total deferred tax	**8,147**	(9,366)
Income tax expense	**(11,414)**	(9,320)

The provision for income taxes differs from the result that would be obtained by applying combined Canadian federal and provincial (Ontario) statutory income tax rates to profit or loss before income taxes. This difference results from the following:

	December 31 2011	December 31 2010
	$	$
Profit before income taxes	**73,557**	55,989
Statutory income tax rate	**28.25%**	31.00%
Expected income tax expense	**(20,780)**	(17,357)
Effect on income taxes of:		
Impact of change in enacted tax rates on deferred tax balances	**2,056**	1,317
Provincial and foreign rate differences	**7,547**	4,994
Reversal of prior period tax provision	**3,088**	-
Non-deductible notional interest	**(1,641)**	(823)
Non-deductible stock-based compensation expense	**(451)**	(305)
Other non-deductible expenses	**(954)**	(788)
Foreign exchange translation losses	**(244)**	(163)
Tax-exempt portion of capital gains	**2**	3,921
Other	**(37)**	(116)
	9,366	8,037
Income tax expense	**(11,414)**	(9,320)

Deferred taxes have been re-measured to reflect statutory enacted future tax rates.

24. EMPLOYEE BENEFIT PLANS

The Company has defined benefit pension plans including supplementary executive retirement plans and defined contribution plans covering substantially all employees, other than union employees who are covered by multi-employer pension plans administered by the unions. Benefits under the defined benefit plans are generally based on the employee's years of service and level of compensation near retirement. Benefits are not indexed for inflation, except for a supplementary executive retirement plan, which is fully indexed for changes in the consumer price index. The Company does not provide post-employment benefits other than pensions.

The measurement date used for financial reporting purposes of the pension plan assets and benefit obligation is December 31. The most recent actuarial valuation filed for funding purposes for the principal defined benefit pension plan was completed as at December 31, 2010 and the next required actuarial valuation will be prepared with an effective date no later than December 31, 2013.

The defined benefit pension obligation is presented as part of other liabilities on the consolidated balance sheet.

The financial position and other selected information related to the employee defined benefit pension plans is presented in the tables below:

	2011	2010
	$	$
Change in fair value of plan assets:		
Fair value of plan assets - beginning of year	**35,477**	32,647
Expected return on plan assets	**2,050**	1,883
Actuarial gains (losses)	**(1,646)**	2,168
Company contributions	**1,776**	986
Plan participant contributions	**133**	130
Benefits paid	**(1,752)**	(2,337)
Fair value of plan assets - end of year	**36,038**	35,477
Change in benefit obligation:		
Benefit obligation - beginning of year	**40,240**	39,631
Current service cost	**650**	804
Interest cost	**1,962**	1,964
Benefits paid	**(1,752)**	(2,337)
Plan participant contributions	**133**	130
Actuarial losses	**3,343**	48
Benefit obligation - end of year	**44,576**	40,240
Funded Status:		
Fair value of plan assets	**36,038**	35,477
Defined benefit obligation	**(44,576)**	(40,240)
Pension liabilities at December 31	**(8,538)**	(4,762)

	2011	2010
Weighted average assumptions to calculate benefit obligation:		
Discount rate	4.25%	5.00%
Rate of increase in future compensation	3.00%	3.50%
Asset categories of pension assets:		
Debt securities	35.91%	33.87%
Equity securities	52.83%	52.94%
Other	11.26%	13.19%

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

	2011	2010
	$	$
Defined benefit pension expense:		
Current service cost, net of employee contributions	**650**	804
Interest cost	**1,962**	1,964
Expected return on plan assets	**(2,050)**	(1,883)
Defined benefit pension expense recognized in profit or loss	**562**	885
Actuarial (gains) losses recognized in other comprehensive income	**4,988**	(2,121)
Defined benefit pension expense	**5,550**	(1,236)
Other pension expense:		
Defined contribution pension expense	**4,517**	3,865
Multi-employer pension plan expense	**50,831**	55,143
Other pension expense	**55,348**	59,008
Weighted average assumptions to calculate pension benefit expense:		
Discount rate	5.00%	7.00%
Assumed long-term rate of return on plan assets	6.25%	6.25%
Rate of increase in future compensation	3.50%	3.50%

During 2012, the Company expects to make contributions of $2,138 to the defined benefit plans.

	2011	2010
	$	$
Total cash contribution for employee pension plans:		
Defined benefit plans	**1,776**	986
Defined contribution plans	**4,517**	3,865
Multi-employer pension plan	**50,831**	55,143
	57,124	59,994

The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future accounting valuations. As a result of the uncertainty associated with these estimates, there is no assurance that the plans will be able to earn the assumed rate of return on plan assets. Furthermore, market driven changes may result in changes to discount rates and other variables which would result in the Company being required to make contributions to the plans in the future that may differ significantly from estimates. As a result, there is a significant amount of measurement uncertainty involved in the actuarial valuation process. This measurement uncertainty may lead to potential fluctuations in financial results attributable to the selection of actuarial assumptions and other accounting estimates involved in the determination of pension expense and obligations. Two of the more significant actuarial and accounting assumptions impacting the reporting of pension plans are the discount rate assumption and the expected return on assets assumption. As at December 31, 2011, the Company has used a discount rate of 4.25% and an expected return on assets of 5.75% in its pension plan calculations for financial statement purposes. The impact of a 0.5% decrease in both the discount rate and the expected return on assets assumptions would have resulted in an increase in the Pension Benefit Obligation of approximately $2,100 at December 31, 2011 and an increase in the estimated 2012 pension expense of approximately $300.

25. CONTINGENCIES

The Company is involved in various claims and litigation both as plaintiff and defendant. In the opinion of management, the resolution of claims against the Company, including those provided for (see Note 19), will not result in a material effect on the consolidated financial position of the Company. Any settlements or awards will be reflected in profit or loss as the matters are resolved.

As part of regular operations, the Company has the following guarantees and letters of credit outstanding:

GUARANTEES AND LETTERS OF CREDIT	PROJECT	December 31, 2011	December 31, 2010	January 1, 2010
Guarantees:				
Surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations, advance payment bond and retention release bond.	Quito Airport Project	$125,964	$123,189	$130,175
Joint and several continuous performance guarantee, at 100%, in connection with the Cross Israel Highway concessionaire. The Company's interest in the project was 25%.	Cross Israel Highway	–	–	$43,720
Joint and several leakage guarantee, at 100%, in relation to toll capture and collection rates. The Company's interest in the project was 30.6%.	Cross Israel Highway	–	$14,527	$13,973
Letters of Credit:				
In support of the Company's remaining equity obligations and for various project contingencies.	Quito Airport	$36,462	$43,117	$45,562
To support a performance bond in connection with the construction of an extension of the Cross Israel Highway.	Cross Israel Highway	–	$675	$664
Issued by the operator of the Cross Israel Highway (in which the Company had a 30.6% interest) in support of performance obligations related to highway operations.	Cross Israel Highway	–	$6,585	$8,330
To support the Company's share of the above noted continuous guarantee for the Cross Israel Highway project.	Cross Israel Highway	–	–	$10,930
Financial and performance - issued in the normal conduct of business.	Various	$107,788	$74,098	$39,021

Under the terms of many of the Company's joint venture contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. At December 31, 2011, the value of uncompleted work for which the Company's joint venture partners are responsible, and which the Company could be responsible for assuming, amounted to approximately $1,669,950 (2010 - $2,341,538), a substantial portion of which is supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the joint venture contract.

26. COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES

The Company has commitments for equipment and premises under operating leases, which require the following future minimum payments:

	Future minimum lease payments
	December 31, 2011
	$
Due within one year	**15,363**
Due beyond one and up to five years	**28,092**
Due beyond five years	**11,499**
	54,954

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

27. CAPITAL STOCK

	December 31, 2011		December 31, 2010	
	Number	**Amount**	**Number**	**Amount**
		$		$
Number of common shares outstanding - beginning of year	**54,689,459**	**298,613**	**55,102,010**	**304,946**
Common shares issued on exercise of options	343,650	2,698	149,167	1,044
Common shares purchased by the Trust of the long-term incentive plan (LTIP)	(805,779)	(7,952)	(724,046)	(9,690)
Transfers by the Trust to settle LTIP obligations	498,057	6,054	162,328	2,313
Common shares purchased under Normal Course Issuer Bid	(1,424,900)	(7,780)	–	–
Number of common shares outstanding - end of year	**53,300,487**	**291,633**	**54,689,459**	**298,613**

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value. Including common shares held by the LTIP Trust, discussed below, the total number of common shares outstanding as at December 31, 2011 is 55,812,149 (2010 – 56,893,399).

Normal course issuer bid

In the first quarter of 2011, the Company announced its intention to make a normal course issuer bid (the "NCIB") commencing on March 16, 2011 and expiring on March 15, 2012. During the period, the Company is permitted to acquire up to 5,527,277 common shares which is approximately 10% of the issued and outstanding common shares at the time of the announcement of the NCIB. From March 16, 2011 to December 31, 2011, the Company acquired 1,424,900 common shares for $12,038 of which $7,780 was recorded as a reduction in share capital and $4,258 recorded as a reduction of retained earnings. All of the shares acquired were subsequently cancelled.

Stock option plans

The aggregate number of common shares that can be issued under the 2005 Stock Option Plan shall not exceed 5,000,000. Each option issuance under the 2005 Stock Option Plan specifies the period during which the option thereunder is exercisable (which in no event shall exceed ten years from the date of grant) and the date that the option will expire. The Company's Board of Directors determines the vesting period on the dates of option grants. The exercise price of option grants equals the market price of the stock on the grant date. The Company issues common shares on exercise of options.

Details of common shares issued upon the exercise of options as well as details of changes in the balance of options outstanding are detailed below:

	December 31, 2011		December 31, 2010	
	Number share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
		$		$
Balance outstanding - beginning of the year	**1,843,650**	**12.50**	1,942,817	12.00
Granted	**350,000**	**9.66**	50,000	12.30
Forfeited	**(100,000)**	**14.95**	–	–
Exercised	**(343,650)**	**6.25**	(149,167)	5.92
Balance outstanding - end of the year	**1,750,000**	**13.02**	1,843,650	12.50
Options exercisable - end of the year	**1,466,667**	**13.53**	1,228,651	12.68

Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	Number of Shares	Exercise Price	Expiry date
		$	
2008	1,000,000	14.95	August 5, 2013
2009	50,000	9.12	March 4, 2014
2009	300,000	11.29	May 14, 2014
2010	50,000	12.30	November 2, 2015
2011	350,000	9.66	March 11, 2016
	1,750,000		

All option grants have a term of five years from the date of grant and vest immediately or over a three-year period.

The Company applies fair value accounting for options granted to employees and records compensation expense upon issuance of the stock options under its stock option plan. For options granted, the fair value was estimated on the date of grant using the Black-Scholes fair value option pricing model using the following assumptions:

	2011	2010
Weighted average fair value per option	**$3.97**	$4.35
Expected volatility (1)	**56.00%**	56.00%
Dividend yield	**2.07%**	1.63%
Risk free interest rate	**2.62%**	1.68%
Weighted average expected life in years	**5.00**	3.50

(1) Expected volatility was determined using historical volatility.

The resulting fair value is charged to expense over the vesting period of the options.

Long-Term Incentive Plan

In 2005, the Company adopted a Long-Term Incentive Plan ("LTIP") to provide a financial incentive for its senior executives to devote their efforts to the long-term success of the Company's business. The LTIP provides that shares of the Company will be purchased by the trustee and held in trust for the future benefit of the participants until such time as awards made to participants under the LTIP have vested and, as a result, the participants become eligible to have such shares transferred to them.

Awards to participants are based on the financial results of the Company and are made in the form of Deferred Share Units ("DSUs") or in the form of restricted shares. Awards made in the form of DSUs will vest only upon the retirement or termination of the participant. Awards made in the form of restricted shares will vest annually over three years.

Compensation charges related to the LTIP are expensed over the estimated vesting period of the awards. Awards made to individuals who are eligible to retire under the plan are assumed, for accounting purposes, to vest immediately. In 2011, the Company recorded LTIP compensation charges of $6,000 (2010 - $4,431).

The LTIP Trust (the "Trust") currently holds 2,511,662 shares at December 31, 2011 (2010 – 2,203,940 shares). The Company has determined it holds a beneficial interest in the activities of the Trust and that the Trust meets the criteria of a Special Purpose Entity that requires consolidation by the Company in accordance with SIC 12 "Consolidation: Special Purpose Entities." Accordingly, at December 31, 2011, share capital was reduced by $26,476 (2010 - $24,577) and accrued liabilities increased by the same amount.

28. JOINT VENTURES

The following amounts represent the Company's share of assets, liabilities, revenues and expenses relating to joint ventures. Included in expenses, in determining the Company's share of profit or loss from joint ventures, are income taxes for those entities that are separately liable for the payment of taxes. Income taxes are not included for joint ventures where income taxes are the responsibility of the joint venture partners. Income taxes included in joint venture expenses for the year ended December 31, 2011, amount to an income tax expense of $239 (2010 - $4,330).

	December 31 2011	December 31 2010	January 1 2010
	$	$	$
Current assets	**240,864**	200,702	162,503
Non-current assets	**289,569**	241,744	223,192
Current liabilities	**(165,673)**	(156,497)	(226,684)
Non-current liabilities	**(199,383)**	(165,068)	(64,357)
Share of net assets of joint ventures	**165,377**	120,881	94,654

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

Revenue and expenses for the year ended were as follows:

	December 31 2011	December 31 2010
	$	$
Revenue	376,014	266,242
Expenses	(308,794)	(216,482)
Share of profit	67,220	49,760

As of December 31, 2011, the Company's total investment in the Quito Airport concessionaire was US$106,804. Of this amount, US$52,472 was invested through cash equity contributions and the balance of US$54,332 through the reinvestment of the Company's share of the earnings of the existing airport. At December 31, 2011, the remaining equity the Company is required to invest in the Quito Airport concessionaire is approximately US$11,000, the majority of which reflects compensation to the Quito Airport construction joint venture for the impact of delay costs associated with the construction of the New Quito Airport.

29. EXPENSES

Expenses for the year ended were as follows:

	December 31 2011	December 31 2010
	$	$
Materials	542,396	497,851
Subcontractors	826,261	869,800
Personnel	1,018,142	1,004,458
Equipment costs	227,829	196,122
Depreciation of property, plant and equipment and amortization of intangible assets	62,548	48,377
Finance costs charged to projects	3,928	9,788
Other expenses	142,310	125,890
Total expenses	2,823,414	2,752,286

Reported as:

	December 31 2011	December 31 2010
	$	$
Direct costs and expenses	2,622,034	2,587,634
Marketing, general and administrative expenses	138,832	116,275
Depreciation and amortization	62,548	48,377
Total expenses	2,823,414	2,752,286

30. OTHER INCOME (LOSS)

Other income (loss) for the year ended was as follows:

	December 31 2011	December 31 2010
	$	$
Gain on sale of CIH concession investment (Note 13)	–	36,111
Gain on sale of Churchill Corporation common shares	–	1,941
Gain from business combination (Note 35)	–	13,838
Foreign exchange (gains) losses	309	411
Gain on sale of property, plant and equipment	4,373	7,012
Gain on disposal of a subsidiary	11,539	–
Losses on legal provisions	(2,500)	–
Total other income	13,721	59,313

In the third quarter of 2011, the Company sold its 30.6% interest in Derech Eretz Highways Management Corporation Limited, the operator of the Cross Israel Highway, as well as its interests in several affiliates of the operator that operate other transportation infrastructure assets in Israel, for proceeds of $14,000. The resulting pre-tax gain on sale was $11,539.

In the fourth quarter of 2011, the Company settled a long outst anding legal dispute relating to its prior involvement in the construction of a grain terminal in Gdansk, Poland. The settlement resulted in a loss of $2,500 in 2011.

In the third quarter of 2010, the Company recognized a gain from business combinations representing a bargain purchase on the acquisition of Cow Harbour.

31. FINANCE INCOME

Finance income for the year ended was as follows:

	December 31 2011	December 31 2010
	$	$
Interest income	5,679	14,581
Total finance income	5,679	14,581

32. FINANCE COSTS

Finance costs for the year ended were as follows:

	December 31 2011	December 31 2010
	$	$
Interest on long-term debt and debentures	**31,313**	21,419
Interest on finance leases	**2,373**	1,472
Interest on short-term debt	**3,077**	7,639
Unwinding of discount on non-contract provisions	**160**	205
Total finance costs	**36,923**	30,735

33. EARNINGS PER SHARE

Details of the calculations of earnings per share are set out below:

	December 31 2011	December 31 2010
	$	$
Profit (loss) attributable to shareholders	**57,553**	41,848
Interest on convertible debentures, net of tax (1)	**18,013**	12,005
Fair value (gain) loss on convertible debentures, net of tax	**(3,063)**	(10,875)
Diluted net earnings	**72,503**	42,978
Average number of common shares outstanding	**53,905,613**	54,758,958
Effect of dilutive securities (1)		
Options	**–**	167,655
Convertible debentures (1)	**29,915,970**	17,694,316
Shares held in trust account in respect of a long-term incentive plan	**2,511,662**	2,203,940
Weighted average number of diluted common shares outstanding	**86,333,245**	74,824,869
Basic earnings per share	**1.07**	0.76
Diluted earnings per share (1)	**0.84**	0.57

(1) When the impact of dilutive securities would be to increase the earnings per share or decrease the loss per share, they are excluded for purposes of the calculation of diluted earnings per share.

34. SUPPLEMENTARY CASH FLOW INFORMATION

Change in other balances relating to operations

	December 31 2011	December 31 2010
	$	$
Decrease (increase) in:		
Trade and other receivables	**(18,493)**	(75,504)
Unbilled revenues	**147,643**	(172,650)
Inventories	**(5,270)**	8,302
Prepaid expenses	**(2,505)**	(8,785)
(Decrease) increase in:		
Trade and other payables	**(30,265)**	123,391
Provisions	**1,498**	1,441
Deferred revenue	**(26,227)**	44,329
	66,381	(79,476)

Cash flows from interest and dividends

	December 31 2011	December 31 2010
	$	$
Operating activities		
Cash interest paid	**(46,301)**	(37,670)
Cash interest received	**1,264**	2,472
	(45,037)	(35,198)
Financing activities		
Cash dividends paid	**(11,317)**	(11,364)
	(56,354)	(46,562)

Non-cash transactions

	December 31 2011	December 31 2010
	$	$
Non-cash transactions excluded from consolidated statement of cash flows		
Property, plant and equipment acquired and financed by finance leases	**48,390**	24,053
	48,390	24,053

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

35. BUSINESS COMBINATIONS

On August 26, 2010, the Company acquired, for $180,326, substantially all of the assets of Fort McMurray based Cow Harbour Construction Ltd. ("Cow Harbour"), a mining, land reclamation and contracting services business.

In March 2010, the Company acquired GCCL Contracting Limited ("GCCL"), an asphalt, paving and construction company located in Orangeville, Ontario. The Company paid $2,400 in cash and issued a $2,000 note payable. The note payable, which is payable over a four-year term, is non-interest bearing and has been discounted to arrive at its fair value at the date of the acquisition of $1,702.

The acquisitions were accounted for using the purchase method and the results of operations are included from the respective dates of the acquisition.

The following is a summary of the acquisitions:

	2010	
	Cow Harbour	GCCL
	$	$
Net assets acquired		
Unbilled revenue	–	28
Inventory	84	–
Trade and other payables	-	(38)
Property, plant and equipment	193,080	1,707
Amortizable intangible assets	1,000	–
Goodwill	–	2,662
Deferred income tax liability	–	(257)
	194,164	**4,102**
Consideration		
Cash consideration paid	180,326	2,400
Note payable	–	1,702
	180,326	**4,102**
Gain from business combination before income taxes	**13,838**	–
Deferred income taxes on the above gain	**3,481**	–

The above gain from business combination reflected the independently appraised fair value of the Cow Harbour assets acquired in excess of the $180,326 purchase price. Cow Harbour filed for Companies' Creditors Arrangement Act ("CCAA") protection from its creditors in April 2010 resulting in a forced sale of its assets. A bargain purchase represents an economic gain, which is immediately recognized by the acquirer in profit or loss. This gain is separately disclosed in the Company's consolidated statements of income.

A new business unit, Aecon Mining, was established following the acquisition of substantially all of the assets of Cow Harbour. For the period from acquisition to December 31, 2010, revenue and profit after tax of Aecon Mining were $31,300 and $3,400, respectively, including a one-time gain of $13,838. Revenue and profit after tax of the combined entity for 2010 as though the acquisition date for Cow Harbour had been of the beginning of 2010 is not presented as it is impracticable to obtain this information for the period that Cow Harbour was under CCAA protection.

36. FINANCIAL INSTRUMENTS

Fair value

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. At December 31, 2011, the Company had net outstanding contracts to sell euro 394, sell US$18,318, and buy US$1,402 (2010 - sell euro 1,576, sell US$56,070, and buy US$3,140) on which there was a net unrealized exchange gain of $204 (2010 - net gain of $1,207). The net unrealized exchange gain (loss) represents the estimated amount the Company would have received (paid) if it terminated the contracts at the end of the respective periods, and is included in other income (loss) in the consolidated statements of income.

IFRS 7 "Financial Instruments: Disclosures" enhances disclosures about fair value measurements. Fair value is defined as the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- **Level 2** – Inputs, other than Level 1 inputs, that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include: quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

	As at December 31, 2011			
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Financial assets (liabilities) measured at fair value:				
Cash and cash equivalents	175,208	175,208	–	–
Restricted cash	46,082	46,082	–	–
Marketable securities	725	–	725	–
Holdbacks receivable	168,386	–	168,386	–
Holdbacks payable	(98,532)	–	(98,532)	–
Forward contract mark-to-market adjustments	204	–	204	–
Convertible debentures - embedded derivatives	5,850	–	–	5,850

As explained in Note 21, the convertible debentures contain an embedded derivative that must be measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss. The fair value of the embedded derivatives is determined using the quoted market price of the convertible debentures and apportioning the value between the debt and the embedded derivative components of the instruments. Two of the most significant assumptions impacting the Company's valuation of these embedded derivatives are the implied volatility and credit spread inputs. For the 2015 and 2014 debentures, the Company used an implied volatility of 27.04% and 26.85%, respectively, and a credit spread of 5.08% and 5.44%, respectively. A 1% change in the implied volatility factor would have changed the fair value of the embedded derivative by $582 and a 1% change in the credit spread factor would have changed the fair value of the embedded derivative by $6,325.

Risk management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, and currency risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated Company basis.

Credit risk

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, short-term deposits and marketable securities, accounts receivable, holdbacks receivable, unbilled revenues, and foreign exchange contracts.

Credit risk associated with cash and short-term deposits is minimized by ensuring these financial assets are placed with financial institutions with investment grade credit ratings.

The credit risk associated with foreign exchange contracts arises from the possibility that the counterparty to one of these contracts fails to perform according to the terms of the contract. Credit risk associated with foreign exchange contracts is minimized by entering into such transactions with major Canadian financial institutions.

Concentration of credit risk associated with accounts receivable, holdbacks receivable, and unbilled revenue is limited by the Company's diversified customer base and its dispersion across different business and geographic areas. The credit quality of the Company's significant customers is monitored on an ongoing basis and allowances are provided for potential losses that have been incurred at the consolidated balance sheet dates. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in assessing the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired. The Company provides an allowance for credit losses in the year in which there is objective evidence of impairment. Balances are considered for impairment on a case by case basis when they are over 60 days past due or if there is an indication a customer will not be satisfying their payment obligation. At December 31, 2011, the Company had $97,230 in trade receivables that were past due. Of this amount, $14,720 was over 60 days past due against which the Company has recorded an allowance for doubtful accounts of $1,627.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash or another financial asset. The Company's approach is to ensure it will have sufficient liquidity to meet operational, tax, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed quarterly by the Board of Directors to ensure a sufficient continuity of funding. Long-term debt maturities are spread over a range of dates thereby ensuring the Company is not exposed to excessive refinancing risk in any one year. The Company's cash and cash equivalents, short-term deposits and restricted cash are invested in highly liquid interest bearing investments.

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

Contractual maturities for financial liabilities at December 31, 2011 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total undiscounted cash flows	Effect of interest	Carrying value
	$	$	$	$	$	$
Trade and other payables	530,603	6,496	–	537,099	(602)	536,497
Finance leases	27,445	64,837	3,705	95,987	(9,249)	86,738
Equipment loans	41,481	84,574	50	126,105	(12,153)	113,952
Other long-term debt	5,116	2,215	425	7,756	(175)	7,581
	74,042	151,626	4,180	229,848	(21,577)	208,271
Non-recourse project debt	68,336	86,457	100,100	254,893	(61,070)	193,823
Convertible debentures	–	264,500	–	264,500	(13,071)	251,429
Long-term financial liabilities	**142,378**	**502,583**	**104,280**	**749,241**	**(95,718)**	**653,523**

Interest rate risk

The Company is exposed to interest rate risk on its short-term deposits and its long-term debt to the extent that its investments or credit facilities are based on floating rates of interest.

At December 31, 2011, the interest rate profile of the Company's long-term debt was as follows:

	$
Fixed rate instruments held by joint ventures	19,790
Variable rate instruments held by joint ventures	121,581
Fixed rate instruments	256,723
Variable rate instruments	4,000
Total long-term debt	402,094
Fixed rate convertible debentures	251,429

Long-term debt held by joint ventures relates primarily to project financing for the Quito Airport Project (see Note 20) and because interest is capitalized while the new airport is being constructed, changes in interest rates would not have had an impact on net earnings or comprehensive income in the current period.

Changes in interest rates related to fixed long-term debt instruments and convertible debentures would not have had an impact on net earnings or comprehensive income in the current period.

Cash and cash equivalents, restricted cash and short-term deposits have limited interest rate risk due to their short-term nature.

For the year ended December 31, 2011, a 1% increase or a 1% decrease in interest rates applied to the Company's variable rate long-term debt would have changed net earnings and comprehensive income by $900.

Currency risk

The Company operates internationally and is exposed to risk from changes in foreign currency rates. The Company is mainly exposed to fluctuations in the US dollar.

The Company's currency exposure to US dollars arises primarily from its investments in the Quito Airport concessionaire, Quito construction joint venture and from its US operating unit within the Infrastructure segment. The functional currency of these entities is the US dollar. The impact of changes in currency rates for these operations does not impact profit or loss but is instead reported as currency translation differences in other comprehensive income. For these investments, the Company's sensitivity to a 10% change of the US dollar against the Canadian dollar at December 31, 2011, would have been a change in comprehensive income of approximately $11,900.

The Company's sensitivity to a 10% change of the US dollar against the Canadian dollar at December 31, 2011 to profit or loss for currency exposures other than those discussed above would be $1,700. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures and hedges and adjusts their translation at period end for the above 10% change in foreign currency rates.

Additional information on financial instruments:

	Fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Amortized cost	Total carrying amount	Total fair value
	$	$	$	$	$	**$**	**$**
Cash and cash equivalents	–	–	–	175,208	–	**175,208**	**175,208**
Restricted cash	–	–	–	46,082	–	**46,082**	**46,082**
Marketable securities	–	725	–	–	–	**725**	**725**
Trade and other receivables	–	–	–	533,235	–	**533,235**	**533,235**
Unbilled revenue	–	–	–	249,557	–	**249,557**	**249,557**
Long-term financial assets	–	–	8,489	15	–	**8,504**	**8,504**
	–	725	8,489	1,004,097	–	**1,013,311**	**1,013,311**
Trade and other payables	–	–	–	–	536,497	**536,497**	**536,497**
Deferred revenue	–	–	–	–	108,096	**108,096**	**108,096**
Current portion of non-recourse project debt	–	–	–	–	56,745	**56,745**	**56,745**
Current portion of long-term debt	–	–	–	–	65,690	**65,690**	**65,690**
Non-recourse project debt	–	–	–	–	137,078	**137,078**	**137,078**
Long-term debt	–	–	–	–	142,581	**142,581**	**142,581**
Convertible debentures	5,850	–	–	–	245,579	**251,429**	**272,175**
	5,850	–	–	–	1,292,266	**1,298,116**	**1,318,862**

Cash and cash equivalents, restricted cash, marketable securities, trade receivables, trade payables and accrued liabilities approximate their fair values on a discounted cash flow basis because of the short-term nature of these instruments. In general, investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may be classified as current based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations.

Other financial instruments held or issued by the Company include holdbacks receivable, non-interest bearing project advances payable or holdbacks payable, which are amounts directly related to construction contracts. These amounts, by their nature, do not bear interest and consideration for the time value of money is thus negotiated into the price of the contracts. The Company does not have plans to sell these financial instruments to third parties and will realize or settle them in the normal course of business. No quoted market price exists for these instruments because they are not traded in an active and liquid market. Accordingly, the fair values of holdbacks receivable, non-interest bearing project advances payable or holdbacks payable which are due within one year are considered to approximate their carrying values. For those financial instruments that are due beyond one year, the Company has fair valued them to reflect the time value of money and the credit risk or the borrowing risk associated with these financial instruments.

The carrying values of long-term debt approximate their fair value on a discounted cash flow basis because the majority of these obligations bear interest at market rates.

Convertible debentures are discussed in Note 21.

37. CAPITAL DISCLOSURES

For capital management purposes, the Company defines capital as the aggregate of its shareholders' equity and total debt, excluding non-recourse debt. Debt includes bank indebtedness, the current and non-current portions of long-term debt (excluding non-recourse debt), and the current and non-current long-term debt components of convertible debentures.

The Company's principal objectives in managing capital are:

- to ensure sufficient liquidity to adequately fund the ongoing operations of the business;
- to provide flexibility to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to shareholders;
- to maintain a strong capital base so as to maintain client, investor, creditor and market confidence;
- to provide a superior rate of return to its shareholders; and
- to comply with financial covenants required under its various borrowing facilities.

The Company manages its capital structure and adjusts it in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new debt or repay existing debt, issue new shares, issue convertible debt, or adjust the amount of dividends paid to shareholders. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction.

Although the Company monitors capital on a number of bases including liquidity and working capital, total debt (excluding non-recourse debt) as a percentage of total capitalization (debt to capitalization percentage) is considered to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. At December 31, 2011, the debt to capitalization percentage was 49%. If the convertible debentures were to be excluded from debt and added to equity on the basis that they could be redeemed for equity, either at the Company's option or at the holder's option, then the adjusted debt to capitalization percentage would be 22% as at December 31, 2011. While the Company believes this debt to capitalization percentage is acceptable, because of the cyclical nature of its business and market expectations concerning prudent capitalization, the Company will continue its current efforts to maintain a conservative capital position.

At December 31, 2011, the Company complied with all of its financial debt covenants.

38. OPERATING SEGMENTS

Segment reporting is based on the Company's divisional operations. The breakdown by divisions mirrors the Company's internal reporting systems.

The Company operates in three principal segments within the construction and infrastructure development industry: Infrastructure, Industrial and Concessions. The Eliminations and Other category in the summary below includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations.

Infrastructure

The Infrastructure segment includes all aspects of the construction of both public and private infrastructure, including roads and highways, as well as toll highways, hydroelectric power projects and dams, tunnels, bridges, airports, marine facilities and transit systems, primarily in Canada, and on a selected basis, internationally. This segment includes the mining, manufacture and supply of asphalt and aggregate products, and the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting. Infrastructure also includes the operations of Aecon Mining, a large oilsands mining and reclamation contractor, and Aecon Buildings, which specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including hospitals, educational facilities, office buildings, industrial buildings, airport terminals, entertainment facilities, retail complexes, roof-top solar installations and high-rise condominium buildings among others. The design and construction of the New Quito Airport project is included in the Infrastructure segment.

Industrial

The Industrial segment encompasses all of Aecon's industrial construction and manufacturing activities including in-plant construction, site construction, and module assembly in the energy, manufacturing, petrochemical, steel, automotive and mining sectors. Activities in this segment include the construction of alternative, fossil fuel and cogeneration power plants, in-plant construction at nuclear power plants, the fabrication and module assembly of small diameter specialty pipe, and the design and manufacture of "once-through" heat recovery steam generators ("HRSGs") for industrial and power plant applications and enhanced oil recovery boilers for use in the oilsands. This segment includes the design and build of water and waste water facilities, as well as mechanical and electrical installations in hospitals, schools, and institutional buildings. Although activities in this segment are concentrated primarily in Canada, Aecon, through its subsidiary, Innovative Steam Technologies Inc., ("IST") sells HRSGs throughout the world.

Concessions

Activities within the Concessions segment include the development, financing, construction and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public private partnership contract structures. This segment focuses primarily on the operation, management, maintenance and enhancement of investments held by Aecon in infrastructure concessions, which is currently comprised of an investment in the Quito Airport concession company and, until it was sold, also included the operator of the Cross Israel Highway and Aecon's interests in several affiliates that operated other transportation infrastructure assets in Israel. The segment also includes the operations of the Highway 104 toll plaza in Atlantic Canada. In addition, this segment has a development function whereby it monitors and, where appropriate, brings together the unique capabilities and strengths of Aecon for the development of public sector infrastructure projects in which Aecon can play a role beyond just being a contractor, as a developer, operator or investor.

Divisional segment information:

					For the year ended December 31, 2011
	Infrastructure	Industrial	Concessions	Other costs and eliminations	**Total**
	$	$	$	$	**$**
STATEMENT OF INCOME					
Revenues from external customers	1,702,510	1,120,482	81,230	(8,055)	**2,896,167**
Which includes:					
Construction revenue	1,702,510	1,120,482	–	(8,055)	**2,814,937**
Concession revenue	–	–	81,230	–	**81,230**
Expenses	(1,667,707)	(1,079,281)	(56,940)	(19,486)	**(2,823,414)**
Which includes:					
Depreciation and amortization	(38,776)	(14,989)	(3,436)	(5,347)	**(62,548)**
Other income (loss):					
Foreign exchange gains (losses)	292	293	37	(313)	**309**
Gain (loss) on disposal of subsidiary	–	–	11,539	–	**11,539**
Gain (loss) on sale of property, plant and equipment	4,570	(197)	–	–	**4,373**
Loss on legal provisions	–	–	–	(2,500)	**(2,500)**
	39,665	41,297	35,866	(30,354)	**86,474**
Income from construction projects accounted for using the equity method	12,785	1,273	–	–	**14,058**
Operating profit (loss)	52,450	42,570	35,866	(30,354)	**100,532**
Finance income (costs):					
Finance income	4,428	661	33	557	**5,679**
Finance costs	(5,581)	–	–	(31,342)	**(36,923)**
Fair value gain (loss) on convertible debentures	–	–	–	4,269	**4,269**
Profit (loss) before income taxes	51,297	43,231	35,899	(56,870)	**73,557**
Income tax expense					**(11,414)**
Profit for the period					**62,143**
Attributable to:					
Shareholders					**57,553**
Non-controlling interests					**4,590**

	Infrastructure	Industrial	Concessions	Other costs and eliminations	**Total**
	$	$	$	$	**$**
BALANCE SHEET					
Segment assets	794,105	554,512	247,680	387,798	**1,984,095**
Of which investments in construction projects accounted for using the equity method	16,293	1,638	–	–	**17,931**
Segment liabilities	664,494	205,756	254,602	369,366	**1,494,218**
Additions to non-current assets:					
Property, plant and equipment	99,221	4,893	1,630	5,392	**111,136**
Concession rights and other intangible assets	1,382	16	62,531	7,987	**71,917**

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

Divisional segment information:

				For the year ended December 31, 2010	
	Infrastructure	Industrial	Concessions	Other costs and eliminations	**Total**
	$	$	$	$	$
STATEMENT OF INCOME					
Revenues from external customers	1,637,225	1,044,337	91,286	(23,075)	**2,749,773**
Which includes:					
Construction revenue	1,637,225	1,044,337	–	(23,075)	**2,658,487**
Concession revenue	–	–	91,286	–	**91,286**
Expenses	(1,616,479)	(1,062,373)	(68,454)	(4,980)	**(2,752,286)**
Which includes:					
Depreciation and amortization	(26,531)	(13,041)	(5,096)	(3,709)	**(48,377)**
Other income (loss):					
Foreign exchange gains (losses)	242	550	(285)	(96)	**411**
Gain on business combination	13,838	–	–	–	**13,838**
Gain (loss) on sale of property, plant and equipment	7,201	(189)	–	–	**7,012**
Gain on sale of CIH concession investment	–	–	36,111	–	**36,111**
Gain on sale of Churchill Corporation common shares	–	–	–	1,941	**1,941**
	42,027	(17,675)	58,658	(26,210)	**56,800**
Income (loss) from construction projects accounted for using the equity method	220	185	–	–	**405**
Operating profit (loss)	42,247	(17,490)	58,658	(26,210)	**57,205**
Finance income (costs):					
Finance income	10,416	230	223	3,712	**14,581**
Finance costs	(3,613)	(161)	(714)	(26,247)	**(30,735)**
Fair value gain (loss) on convertible debentures	–	–	–	14,938	**14,938**
Profit (loss) before income taxes	49,050	(17,421)	58,167	(33,807)	**55,989**
Income tax expense					**(9,320)**
Profit for the period					**46,669**
Attributable to:					
Shareholders					**41,848**
Non-controlling interests					**4,821**

	Infrastructure	Industrial	Concessions	Other costs and eliminations	**Total**
	$	$	$	$	**$**
BALANCE SHEET					
Segment assets	902,722	635,129	221,667	361,887	**2,121,405**
Of which investments in construction projects accounted for using the equity method	10,808	1,065	–	–	**11,873**
Segment liabilities	811,799	239,890	249,633	360,485	**1,661,807**
Additions to non-current assets:					
Property, plant and equipment	245,197	8,980	1,104	5,004	**260,285**
Concession rights and other intangible assets	9,211	3	1,136	6,259	**16,609**

Transactions between reportable segments have been recorded at exchange value.

Geographic segment information:

	December 31, 2011	December 31, 2010
	$	$
Revenues from external customers:		
Canada	**2,653,686**	2,590,558
USA	**58,413**	23,672
Ecuador	**92,323**	51,785
Israel, India and others	**91,745**	83,758
	2,896,167	2,749,773
Property, plant, equipment and intangible assets		
Canada	**544,183**	504,774
USA	**1,651**	1,738
Ecuador	**307,355**	229,151
Israel, India and others	**–**	459
	853,189	736,122

39. RELATED PARTIES

The Company conducts its business principally through the following subsidiary companies, all of which are wholly owned:

Subsidiary	Jurisdiction of Incorporation
Aecon Construction and Materials Limited	Ontario
Aecon Construction Group Inc.	Canada
Aecon Industrial Western Inc.	Alberta
Canonbie Contracting Limited	Alberta
Groupe Aecon Québec Ltée	Quebec
Lockerbie & Hole Contracting Limited	Alberta
South Rock Ltd.	Alberta
Karson Construction Group	Ontario
Lockerbie & Hole Eastern Inc.	Alberta

The Company also conducts its business through the following significant joint ventures and associates:

Joint ventures and associates	Country of operations	Ownership interests
Quiport JV	Ecuador	42.3%
Quito Airport Construction Project	Ecuador	50.0%
Capilano Tunnels Project	Canada	30.0%
Upper and Lower Mattagami Projects	Canada	20.0%
Autoroute 30 Project	Canada	16.0%
Waneta Dam Project	Canada	60.0%
Bruce Power Project	Canada	50.0%
TTC Sheppard South Project	Canada	30.0%
Scott Management	Canada	49.0%

Key management includes the Company's Board of Directors and Executive Committee. Compensation awarded to key management is as follows:

	December 31 2011	December 31 2010
	$	$
Short-term employee benefits	**5,491**	4,720
Termination benefits	**–**	4,433
Share-based payments	**1,855**	546
	7,346	9,699

CORPORATE INFORMATION

BOARD OF DIRECTORS

John M. Beck
Chairman and Chief Executive Officer
Aecon Group Inc.

Austin C. Beutel
Chairman
Oakwest Corporation Limited

Michael A. Butt
Chairman and Chief Executive Officer
Buttcon Limited

Anthony P. Franceschini
Corporate Director

J.D. Hole
President
J.D. Hole Investments Inc.

Rolf Kindbom
President
Kindbom Consulting Inc.

The Hon. Brian V. Tobin, P.C.
Senior Business Advisor
Fraser Milner Casgrain LLP

Robert P. Wildeboer
Executive Chairman
Martinrea International Inc.

EXECUTIVE COMMITTEE

John M. Beck
Chairman and Chief Executive Officer

Terrance L. McKibbon
Executive Vice-President and Chief Operating Officer

David Smales
Executive Vice-President and Chief Financial Officer

Paul P. Koenderman
Executive Vice-President
and Executive Chairman, Aecon Industrial Group

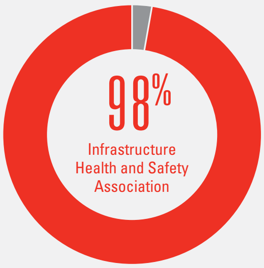
L. Brian Swartz
Senior Vice-President
Legal and Commercial Services and Corporate Secretary

BEST EMPLOYERS IN CANADA

ONE OF CANADA'S BEST PLACES TO WORK

Talented, passionate people are naturally drawn to Aecon because they want to be a part of the great projects we deliver. Employees quickly learn they've joined a company that rewards achievement with opportunity in a culture that cares about them and their families. Aecon is recognized as one of Canada's best employers by Maclean's magazine.

At Aecon, people matter.



AN INDUSTRY LEADING SAFETY PROGRAM

At Aecon, we believe that positive results can only be achieved by providing safe, healthy working conditions and impeccably maintained equipment. Our zero injury culture has a positive impact on everyone we work with and for – our employees, our subcontractors and our clients.

Safety Matters Most

REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent for Aecon Group Inc. shares is Computershare Investor Services Inc.
They can be reached at 514-982-7555, 1-800-564-6253 or at service@computershare.com.

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