ONWARD

AECON GROUP INC. | ANNUAL REPORT 2013

AECON

BY THE STRENGTH OF OUR PEOPLE, WE HAVE ACHIEVED GREATER HEIGHTS. FROM OUR RENEWED FOCUS, WE WILL CONTINUE TO CLIMB.

Table of Contents

4 Chairman's Letter
8 Infrastructure
10 Energy
12 Mining
14 Building Partnerships
16 Financial Highlights
17 Five-Year Performance
18 Management's Discussion and Analysis of Operating Results and Financial Condition ("MD&A")
42 Consolidated Financial Statements

► View Aecon's online integrated report at aecon.com/2013annualreport

ON THE COVER:

JAY VAN ZYLL DE JONG
Carpenter, Waneta Expansion Project

Since 2011, Jay has been working for Aecon as a professional carpenter on the Waneta Expansion project across the Pend-d'Oreille River in Southern British Columbia. As one of many expert tradesmen on-site, Jay has the specialized skills needed to craft the curved building forms used for the project. He likens the project to building a boat and takes extraordinary pride in the quality of his workmanship. While still early in his career, Jay has already achieved significant success at Aecon.

DEAR FELLOW SHAREHOLDERS,

"Our focus is squarely on working towards our target of nine per cent Adjusted EBITDA margin in 2015, which is complemented by bottom-line growth, cash management and capital discipline – all designed to deliver superior shareholder value. We announced this target knowing it was going to present itself as a challenge, but one we could meet."

First, I would like to thank you, our shareholders, for supporting us as Aecon has evolved into Canada's premier construction and infrastructure development company.

Last year we committed to steady organic growth in our core market segments of Infrastructure, Energy, Mining and Concessions through four strategic paths: an overarching focus on profitability and operational discipline, improving Aecon's best-in-class safety and training programs, leveraging Aecon's diverse service offering known as "One Aecon" and building strong strategic partnerships and alliances. I am pleased to report that we made significant progress on each of these fronts.

Aecon's 2013 results represented another year of solid progress, with revenue growing six per cent to over $3 billion. We delivered Adjusted EBITDA of $184.0 million for 2013, compared to $171.9 million in 2012. For the third consecutive year, on the basis of Aecon's continued financial progress and positive outlook, the Board of Directors approved an increase in the annual dividend to $0.36 per share from $0.32 per share.

Underpinning this financial performance was an ongoing focus on execution, performance, operational discipline and risk management. To this end, we built out our project controls team with some of the most knowledgeable people in the business, embedding a detailed set of criteria and risk management practices for project bidding, set-up, execution, cost control and change management.

As we secure Aecon's leadership position in sectors that have competitive recruitment environments, the development and safety of Aecon's employees has been a top priority and last year marked another record year in safety performance. We broadened the reach of our in-house training platform, Aecon University, launching a comprehensive project controls curriculum. We were also proud to be recognized as a Best Employer for the seventh year in a row.

Aecon's unique service offering continues to be a competitive advantage, and we have been successfully phasing out lower-margin work and incorporating our diverse expertise into larger, more sophisticated project delivery for our clients. These efforts have seen us achieve a 100 basis point increase in margin embedded in backlog between 2011 and 2013.

> "Moving onward, Aecon has an unrivalled ability to provide a comprehensive suite of construction, contracting and infrastructure development services across Canada."

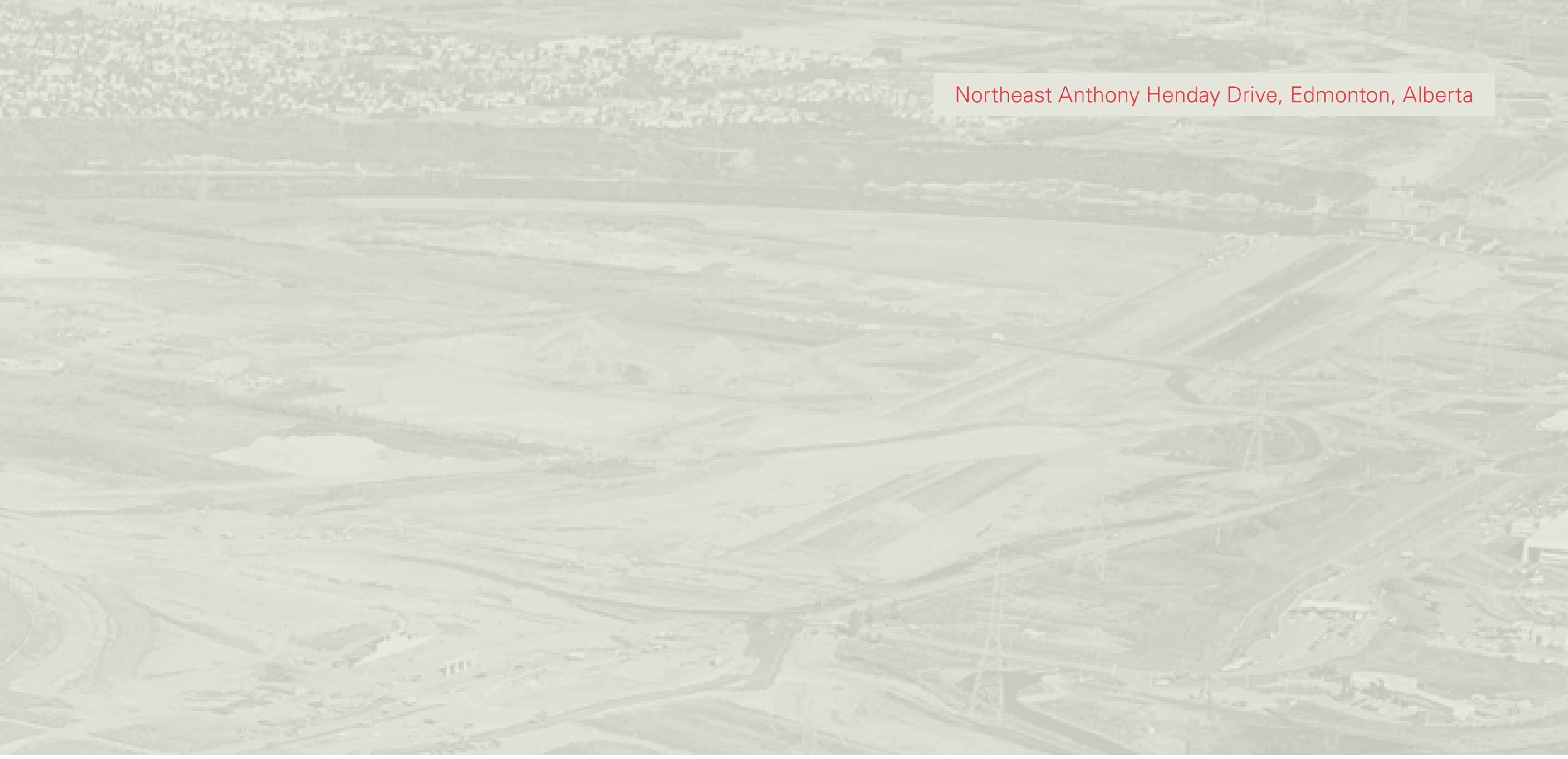
For large, multi-year projects, Aecon has emerged as a Canadian partner of choice as a result of both our deliberate positioning in this regard and our successful track record on complex projects. Aecon's participation in such projects, which drive higher margins, has seen revenue from joint ventures and partnership arrangements grow by nearly 50 per cent compared to 2012. Aecon's partnering skills have paved the way to capitalize on opportunities across the country, such as the Eglinton Crosstown tunnel project in Toronto, the Darlington refurbishment project and Lower Mattagami hydroelectric project in Ontario, the Anthony Henday Drive ring road in Edmonton, a cogeneration power project in Alberta, and the Waneta Dam and John Hart hydroelectric projects in British Columbia, to name but a few.

As expected, Aecon's backlog of work is subject to variability owing to the more substantial projects we are working on or in pursuit of. Backlog stood at $1.8 billion at year-end 2013, our pipeline of pursuits in all our market segments remains robust and Aecon was recently recommended for two major projects for a total of nearly $500 million.

Additionally, above and beyond backlog, recurring revenues remain strong, comprising approximately 25 per cent of our overall business.

Our focus is squarely on working towards our target of nine per cent Adjusted EBITDA margin in 2015, which is complemented by cash management and capital discipline – all designed to deliver superior shareholder value. We announced this target knowing it was going to present itself as a challenge, but one we could meet. The imperatives to reach this target are a drive to a higher-margin mix of business particularly in the Energy and Mining segments while phasing out lower-margin work, leading partnerships on larger, more complex projects, and excellence in operational performance.

Our positive outlook for 2014 is based on five specific key drivers: significant new infrastructure projects ramping up and additional opportunities on the horizon, further growth in our Energy business, securing targeted opportunities in the Mining segment particularly in the potash sector, concluding the strategic initiative with respect to Aecon's interest in the Quito Airport concession and participating in the continued strong pipeline of P3 opportunities in virtually all provinces across Canada.



Northeast Anthony Henday Drive, Edmonton, Alberta

On a personal note, it has been a pleasure and a privilege to have served as Chief Executive Officer of this great Canadian company. Aecon has become a team of 12,000 hard-working men and women, operating safely, ethically and profitably.

I look forward to assuming the full-time role of Executive Chairman, and congratulate Teri McKibbon, who will be appointed President and CEO at Aecon's Annual General Meeting on June 11 in Edmonton. After working with Teri for nearly two decades, I'm confident he will lead Aecon with distinction and a relentless focus on execution. He has assembled a team that has the skill set to work collaboratively with employees across Canada to perform safely and on target for our valued clients and, of course, to serve the interests of our shareholders. All of us look forward to Aecon's continuing growth and success.

We say farewell to long-standing Director of the Board, Rolf Kindbom, who will not stand for re-election, retiring from the Board after 14 years of service. On behalf of my colleagues on Aecon's executive management team and the entire Board of Directors, I would like to thank Rolf for his passion, commitment and invaluable contributions.

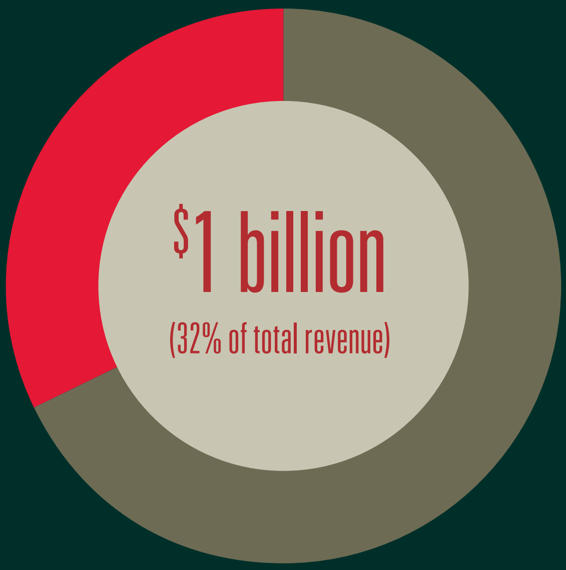
Moving onward, Aecon has an unrivalled ability to provide a comprehensive suite of construction, contracting and infrastructure development services across Canada. We will continue to develop our balanced and diversified strategy focused on the core target markets of Infrastructure, Energy, Mining and Concessions and will maintain a disciplined bidding approach towards meeting our Adjusted EBITDA margin target of nine per cent in 2015.

Thank you for your continued support.

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

INFRASTRUCTURE

AECON 2013 REVENUE FROM INFRASTRUCTURE SEGMENT:



BACKLOG, AS AT DECEMBER 31, 2013:

$820 million

2013 RECURRING REVENUE FROM INFRASTRUCTURE:

$72 million

Aecon Infrastructure brings a unique blend of expertise and capabilities to complex infrastructure projects, with a primary focus on transportation, heavy civil and social infrastructure. Backed by over a century of experience, our clients trust our teams to deliver critical infrastructure projects coast to coast.

"As one of the largest infrastructure development companies, we are well positioned to capitalize on the growing demand to renew and expand Canada's vast infrastructure network," said **Mark Rivett,** Executive Vice President, Aecon Infrastructure. "The John Hart hydroelectric replacement project and Waterloo Light Rail Transit project, together valued at nearly $500 million, coupled with our proven track record and capabilities will continue to drive the Infrastructure segment as we move onward through 2014 and into 2015."

Sector Outlook

The Government of Canada's New Building Canada Plan includes $53 billion in multi-year infrastructure funding and development. This year, Aecon's opportunities include major transit projects, ring roads and water treatment plants.

GARY KMITH
Senior Superintendent, Aecon Infrastructure

With over 42 years of experience, Gary has been with Aecon since he graduated from high school. Over the course of his career he has worked on a vast array of road construction projects across Ontario, helping build the province’s 400-series highways. Today, Gary is Senior Superintendent and responsible for overseeing the entire scope of large roadbuilding projects and is a great example of the breadth of experience Aecon’s long-term employees bring to projects. The favourite part of his job involves helping new employees achieve early success on project sites and promoting team members with high potential – paving the way for future leaders in infrastructure development.

ENERGY

AECON 2013 REVENUE FROM ENERGY SEGMENT:

BACKLOG, AS AT DECEMBER 31, 2013:

$876 million

2013 RECURRING REVENUE FROM ENERGY:

$412 million

With a comprehensive suite of services, Aecon Energy provides innovative solutions for clients across the energy sector, including industrial, marine structures, pipeline, nuclear, utility transmission construction, and manufacturing activities such as in-plant construction, site construction and module assembly.

"Aecon Energy has the proven track record to complete the most challenging projects to the highest possible standards on behalf of some of Canada's leading energy suppliers," said **Paul Murray,** Executive Vice President, Aecon Energy. "Representing nearly half of our revenue, Aecon Energy is defined by a pursuit of excellence, ingenuity and craftsmanship."

Sector Outlook

Canada's energy sector is growing rapidly, with significant projects and opportunities in Western Canada, including mainline pipeline expansion, utilities work, pipe fabrication and module assembly, and co-generation power plant construction. Midstream pipeline and service and supply companies have announced initial capital spending worth over $6 billion for 2014. In Ontario, there are significant opportunities in nuclear power refurbishment, gas distribution work and co-generation power plant construction. In British Columbia, Aecon Energy is strategically positioned to participate in emerging LNG facilities and related pipeline construction opportunities.

MARK SCHERER
Senior Vice President,
Aecon Utilities

With over 26 years of utility construction experience, Mark is responsible for overseeing the entire scope of the Utilities group, leading a team of skilled and engaged employees who collectively deliver higher-margin projects that positively impact the bottom line. Mark has confidently led Aecon's entry into Western Canada's mainline pipeline industry, while spearheading increased utility distribution work in Ontario. Today, Mark and the entire Aecon Utilities team are well positioned to achieve even greater heights by capitalizing on the full suite of project opportunities across Canada.

MINING

AECON 2013 REVENUE FROM MINING SEGMENT:

BACKLOG, AS AT DECEMBER 31, 2013:

$77 million

2013 RECURRING REVENUE FROM MINING:

$299 million

Aecon Mining offers turnkey services for both mine installations and contract mining with a reputation for safety, reliability and performance, while spanning the entire scope of a project's life cycle from overburden removal and resource extraction to processing and environmental reclamation.

"With a combined workforce of 2,000 skilled employees and a modern fleet of more than 600 pieces of heavy and specialty equipment, Aecon Mining has significant resources, expertise and in-depth knowledge, operating in some of the most remote regions in Canada," said **Phil Ward,** Executive Vice President, Aecon Mining. "With an unwavering focus on Aecon's 'Safety First' core value, our mandate is to become the preferred contractor in Canada's mining industry."

Sector Outlook

In 2013, Aecon Mining successfully completed the expansion of the Rocanville potash facility in Saskatchewan. Major oil sands mining projects are under way in northern Alberta with combined development costs of close to $20 billion. Aecon Mining's commitment in 2014 is to capitalize on targeted opportunities across the mining industry, particularly in the potash and oil sands sectors.

PENNY CORNECT
Heavy Equipment Operator, Aecon Mining

What is it like to sit behind the wheel and operate a massive, 100-ton mining truck? According to Penny, after years of experience it is as effortless as driving a regular pickup truck. For this Newfoundlander, living in Fort McMurray has given her and her husband Keith, also an Aecon Mining employee, an opportunity to work in the heart of Canada's oil sands mining industry. Whether it is removing overburden with an oversized rock truck or constructing a new service road with a giant bulldozer, Penny is comfortable behind the wheel of any piece of heavy mining equipment.

BUILDING PARTNERSHIPS

RECENT PROJECT VALUES

EGLINTON CROSSTOWN LRT TUNNELLING PROJECT

$177 million

(50% OF THE JOINT VENTURE)

JOHN HART GENERATING STATION REPLACEMENT PROJECT

$225 million

(60% OF THE JOINT VENTURE)

STAGE 1 OF THE WATERLOO LIGHT RAIL TRANSIT PROJECT

$250 million

(SUBJECT TO CLOSING – 51% OF THE JOINT VENTURE)

At Aecon, partnerships and relationships are core to who we are and a key component of our competitive strategy. Partnerships provide a platform for Aecon to access projects that are beyond any one contractor's capacity to deliver alone and enable Aecon and our partners to pursue larger, more complex and consequently higher-margin work.

Aecon's entry into the mainline pipeline business through a joint venture is a key success story and example of how we are executing our strategy of organic growth through partnerships and alliances.

Aecon's Concessions group brings a specialized, fine-tuned approach to project management, financing and development, both in Canada and internationally.

According to the Canadian Council for Public-Private Partnerships, P3s are major contributors to Canada's economy, generating $51.2 billion in direct economic output and 290,680 direct full-time equivalent jobs between 2003 and 2012.

Projects – Joint Ventures and Strategic Partnerships

BRITISH COLUMBIA
- John Hart Generating Station (60% of the joint venture)
- Waneta Dam (60% of the joint venture)
- Port Mann (40% of the joint venture)
- Capilano Tunnels (30% of the joint venture)

ALBERTA
- Northeast Anthony Henday Drive (22.5% of the joint venture)
- Cogeneration Power Plant (50% of the joint venture)
- Inter Pipeline Ltd. Expansion (50% of the joint venture)

ONTARIO
- Eglinton Crosstown LRT Tunnelling (50% of the joint venture)
- Region of Waterloo, Stage 1 Light Rail Transit Project (51% of the joint venture)
- Air Rail Link (50% of the joint venture)
- Lower Mattagami Hydroelectric (20% interest in a general partnership)
- Darlington Nuclear Refurbishment (50% of the joint venture)
- TTC Sheppard South (30% of the joint venture)

INTERNATIONAL – ECUADOR
- Quito Airport (42.3% interest in the Quiport concessionaire)

Inter Pipeline Ltd. Expansion, Alberta

"With our successful track record and multidisciplinary capabilities, Aecon has become the Canadian partner of choice on large-scale construction projects. We will continue to capitalize on our national scale and scope of services to take advantage of the robust opportunities before us."

TERI McKIBBON, President and Chief Operating Officer

ONWARD TOGETHER

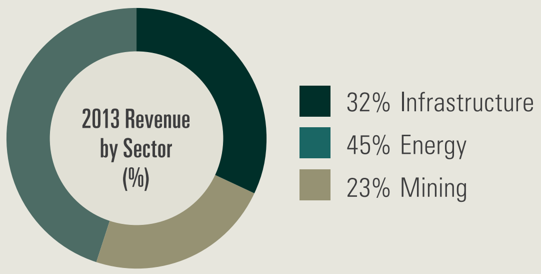
FINANCIAL HIGHLIGHTS

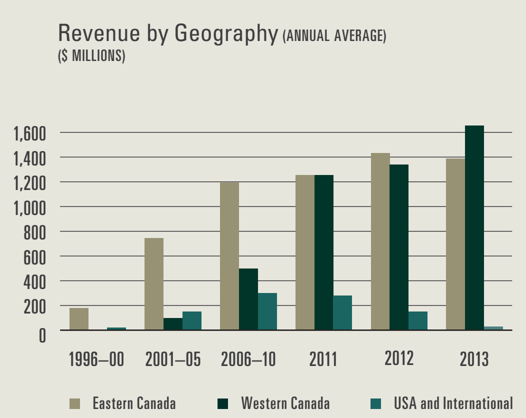
FOR THE YEARS ENDED DECEMBER 31

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

	2013	2012
	$	$
Revenue	**3,068.6**	2,887.1
Adjusted EBITDA*	**184.0**	171.9
Operating profit*	**97.3**	117.3
Profit	**40.6**	77.6
Adjusted profit*	**47.8**	74.4
Backlog revenue	**1,773**	2,428
Earnings per share		
Basic	**0.77**	1.46
Diluted	**0.72**	1.18
Adjusted earnings per share*		
Basic	**0.91**	1.41
Diluted	**0.84**	1.18
Dividends per share	**0.32**	0.28
Book value per share*		
Basic	**11.10**	10.25
Diluted	**11.10**	10.27
Weighted average number of shares outstanding (in millions)		
Basic	**52.7**	53.0
Diluted	**78.9**	79.0

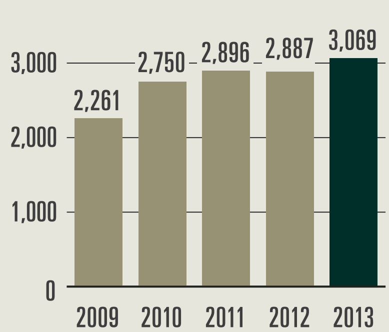
* The financial highlights and five-year financial performance section of the annual report present certain non-GAAP and additional GAAP financial measures to assist readers in understanding the Company's performance. Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP. Additional GAAP financial measures are presented on the face of the Company's consolidated statements of income and are not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. These measures are defined in the notes to the five-year performance section.



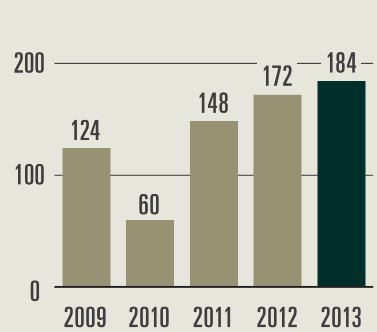


FIVE-YEAR FINANCIAL PERFORMANCE[1]

Revenue
($ MILLIONS)



Adjusted EBITDA[2]
($ MILLIONS)



Book Value Per Share[3]
(DILUTED)
($ PER SHARE)

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 2008 to 2009 reflect amounts reported previously in accordance with Canadian GAAP. On January 1, 2013, the Company also adopted various new accounting standards including IFRS 11 *"Joint Arrangements"*. Amounts previously reported for 2012 have been restated to give effect to these changes, while amounts for 2011 and prior years are prepared in accordance with IFRS or Canadian GAAP before the adoption of new accounting standards in 2013.
2. Adjusted EBITDA represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sales of assets and investments, and net income (loss) from projects accounted for using the equity method, but including JV EBITDA from projects accounted for using the equity method. JV EBITDA represents the Company's proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization, net financing expense and income taxes.
3. 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.

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

DECEMBER 31, 2013

Table of Contents

19 Introduction
20 Forward-Looking Information
20 Financial Reporting Standards
20 Non-GAAP and Additional GAAP Financial Measures
21 Business Strategy
23 Consolidated Financial Highlights
25 Reporting Segments
28 Quarterly Financial Data
29 Quarterly Financial Highlights
30 Select Annual Information
30 Financial Condition, Liquidity and Capital Resources
32 New Accounting Standards
33 Supplemental Disclosures
34 Risk Factors
40 Outstanding Share Data
41 Outlook

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, 2013 consolidated financial statements and notes. This MD&A has been prepared as of March 11, 2014. 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 four principal segments within the construction and infrastructure development industry: Infrastructure, Energy, Mining and Concessions.

Commencing in 2013, Aecon's operating units were organized into these four segments to align with Aecon's new operating management structure, and to build on the "One Aecon" business strategy to capitalize on and combine the strengths and synergies of the Aecon group around key end market sectors. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

The Infrastructure segment includes all aspects of the construction of both public and private infrastructure, primarily in Canada, and on a selected basis, internationally. The Infrastructure segment focuses primarily on the following sectors:

INFRASTRUCTURE

Sector	Service Focus
Transportation	• Roads and bridges • Rail and transit • Asphalt production and aggregates • Municipal construction • Commercial site design • Material engineering and design
Heavy Civil	• Hydroelectric • Tunnels • Foundations • Airports • Marine • Major civil transportation infrastructure
Social Infrastructure	• Transit stations • Industrial site buildings • Tenant improvements • Interior fit-up programs • Mechanical systems • Rooftop energy systems • Water treatment facilities

The Energy segment encompasses a full suite of service offerings to the energy sector including industrial construction and manufacturing activities such as in-plant construction, site construction and module assembly. The activities of the Energy segment are concentrated predominately in Canada. However, Aecon's subsidiary, Innovative Steam Technologies Inc. ("IST"), markets and sells "once-through" heat recovery steam generators and enhanced oil recovery boilers throughout the world. The Energy segment focuses primarily on the following sectors:

ENERGY

Sector	Service Focus
Oil and Gas	• Steam Assisted Gravity Drainage (SAGD) operations in the oil sands • Turnkey well pad construction and field facilities • Liquefied natural gas (LNG) plants
Power Generation	• Nuclear • Thermal and hydro • Natural gas • Renewables
Utilities	• Oil and gas pipeline construction • Telecom infrastructure • Power distribution networks • Water and sewer construction • District energy • Locate services • Utility design • High voltage transmission
Energy Support Services	• Fabrication (pipe fabrication, custom steel) • Modularization • Heat recovery steam generators and enhanced oil recovery boilers

The Mining segment offers turn-key services consolidating Aecon's mining capabilities and services across Canada, including both mine site installations and contract mining. This segment focuses on delivering construction services that span the scope of a project's life cycle from overburden removal and resource extraction to processing and environmental reclamation. The Mining segment focuses primarily on the following sectors:

MINING

Sector	Service Focus
Mine Site Installations and Contract Mining	• Mine site development including overburden removal and piling services • Environmental reclamation services • Ore storage and management • Heavy mechanical works • Complete process installations • Full fabrication for mine site installations

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. The Concessions segment focuses primarily on the following activities:

CONCESSIONS

Activities	Service Focus
Project Financing	• Development of domestic and international Public-Private Partnership (P3) projects • Private finance solutions
Development	• Developing effective strategic partners • Leading and/or actively participating in development teams
Construction and Operation	• Seamlessly integrating the services of all project participants • Harnessing strengths and capabilities of the Aecon group

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 revenue and profit 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 Management's Discussion and Analysis 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" later 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. Aecon assumes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

FINANCIAL REPORTING STANDARDS

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES

The MD&A presents certain non-GAAP and additional GAAP (GAAP refers to Canadian Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company's performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Management uses these non-GAAP and additional GAAP measures to analyze and evaluate operating performance. Aecon also believes the non-GAAP and additional GAAP financial measures below are commonly used by the investment community for valuation purposes, and are useful complementary measures of profitability, and provide metrics useful in the construction industry. The most directly comparable measures calculated in accordance with GAAP are profit (loss) attributable to shareholders or earnings (loss) per share.

Throughout this MD&A, the following terms are used, which are not found in the Canadian Institute of Chartered Accountants Handbook and do not have a standardized meaning under GAAP.

Non-GAAP Financial Measures

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 in the Company's consolidated financial statements.

- **"Adjusted EBITDA"** represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sales of assets and investments, and net income (loss) from projects accounted for using the equity method, but including "JV EBITDA" from projects accounted for using the equity method.
- **"JV EBITDA"** represents Aecon's proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization, net financing expense and income taxes.
- **"Adjusted EBITDA margin"** represents Adjusted EBITDA as a percentage of revenue.
- **"Adjusted profit (loss)"** represents the profit (loss) adjusted to exclude the after-tax fair value gain (loss) on the embedded derivative portion of convertible debentures.
- **"Adjusted earnings (loss) per share"** represents earnings (loss) per share calculated using adjusted profit (loss).

- **"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.

Additional GAAP Financial Measures

Additional GAAP financial measures are presented on the face of the Company's consolidated statements of income and are not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures.

- **"Gross profit"** represents revenue 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.
- **"Gross profit margin"** represents gross profit as a percentage of revenue.
- **"Operating profit (loss)"** represents the profit (loss) from operations, before net financing expense, income taxes and non-controlling interests.
- **"Operating margin"** represents operating profit (loss) as a percentage of revenue.

BUSINESS STRATEGY

Aecon's overall strategic goal is to be the premier construction and infrastructure development company in Canada.

Over the course of the last few years, the Company has deliberately positioned itself in three key end markets: infrastructure, energy and mining. Today, Aecon has an unrivalled ability to provide a comprehensive suite of construction, contracting and infrastructure development services across Canada.

Having built this foundation and national footprint, the Company has been, and will continue to be, focused on operational execution, project controls, risk management and organic growth – all within a disciplined framework towards reaching a target of 9 per cent Adjusted EBITDA margin in 2015.

Aecon's organizational structure is now designed to ensure that a 'One Aecon' approach is reflected in how the Company's unmatched capabilities in its targeted end markets are most effectively harnessed to provide a superior proposition to its clients.

Aecon-led partnerships are an important dimension of the Company's plan to successfully position itself in this regard. We are leading three significant projects that have recently been announced: a section of the Eglinton-Crosstown tunnel project in Ontario, the John Hart Generating Station project in British Columbia, and the Waterloo Region Light Rapid Transit project in Ontario.

There are four core elements that comprise the Aecon Advantage, its strategic path and focus on performance and health.

1. Invest in Aecon's People and Their Safety

The Company is committed to the development of its 12,000-strong employees in order to build upon its leadership position in the sector and drive to be Canada's premier construction and infrastructure development company. This cornerstone is especially important as 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.

Initiatives are being undertaken to strengthen practices – at both the corporate and business segments – related to recruitment, training, leadership development, and building a 'performance and learning culture'. Aecon University has been introduced as an innovative vehicle for employees to access the full range of learning, technical and development opportunities across the Company.

Aecon's investment in its employees was recognized again in 2013 by Aon Hewitt as one of the Best Employers in Canada for the seventh straight year, and Aecon was also ranked in the Globe and Mail 'Top 100 Employers'.

A company's ability to demonstrate that it has industry-leading safety programs and a culture that puts safety first is an important competitive differentiator in the construction 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 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.

2013 was another record year in safety performance for Aecon and is the result of an ongoing emphasis on safety as the Company's pre-eminent core value.

2. Profitability

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 – with turnkey capabilities embodied in the 'One Aecon' strategy. 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. The ability to self-perform 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 and ensuring collaboration across diverse businesses allows for synergies and cost savings for both Aecon and its clients through economies of scale and resource sharing.

The Company has set out a target of reaching a 9 per cent Adjusted EBITDA margin in 2015 – which is guided by a focus on the bottom-line rather than just top-line growth and on operational metrics to manage business performance in line with world-class margins – which combined with a focus on cash management and capital discipline is designed to deliver superior shareholder value.

The Adjusted EBITDA target represents the culmination of strategic business plans that incorporate a number of key initiatives and trends. This includes four main factors to drive a higher margin mix of business and a culture of excellence in operational performance:

a) Increasing higher-margin work in the Energy and Mining segments, particularly in Western Canada. Included in this initiative is the expectation that the Company's Energy segment revenue and backlog will increase its relative weighting and thereby make a favourable contribution to overall Adjusted EBITDA margin. A significant example of this strategy is Aecon's entry into the large pipeline business, an initiative with the potential to grow to $1 billion in work entering 2015. As evidence of this trend, the Energy segment represented 46% of revenue in 2013 compared to 35% in 2012 and Energy segment backlog as at December 31, 2013 had increased to 49% of total backlog compared to 41% at the end of 2012;
b) Leading partnerships and/or participating in larger scale, longer-term, more complex projects which drive higher margins, a trend that has seen revenue from joint arrangements and associates grow by almost 50% in 2013 compared to 2012;
c) Phasing out lower-margin general contractor type work previously undertaken in the Buildings business and incorporating this expertise into larger Aecon projects. This provides a competitive advantage in certain types of projects, such as subway station buildings as part of transit projects or as part of a comprehensive water and wastewater solution for clients in that sector. These various mix initiatives and trends have underpinned a 100 basis point increase in margin embedded in backlog between the end of 2011 and 2013, and is a trend expected to continue through 2014 based on the mix of current project pursuits; and
d) Achieving operational efficiencies and synergies from an ongoing focus on risk management and project control initiatives designed to ensure a more consistent and improved conversion of bid margin into final executed contract margin. The Company tracks a number of metrics evidencing the success of these initiatives, including the percentage of projects achieving bid margin, average deviation from bid margin, and overall margin realization percentage at many different levels of the Company and its operating business units.

3. Building Partnerships and Alliances

The construction and infrastructure development industry in Canada has experienced several important changes in the competitive landscape in recent years as well as having a broad range of larger, multi-year, multi-disciplined project opportunities in both the public and private sectors. Aecon has developed a strategy of building strong partnerships and alliances, including joint arrangements and public private partnerships. 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. Over 30 per cent of Aecon's revenue comes from larger, more complex projects (over $100 million).

Aecon's partnering skills have enabled it to capitalize on a number of opportunities such as its participation in the Air Rail Link project in Toronto, the Lower Mattagami hydroelectric project in Northern Ontario, the Waneta Dam and John Hart hydroelectric projects in British Columbia, the Darlington Refurbishment project in Ontario, the ring road project in Edmonton, and a cogeneration power plant in Alberta, to name but a few. These and other alliances have given Aecon access to projects that are beyond any one contractor's capabilities to deliver alone. These partnerships also provide Aecon and its partners with an opportunity for exchanging and optimizing best practices with others in the industry. As an example, the Company's joint arrangement in the mainline pipeline business has already met with success and, through another joint arrangement, is actively pursuing transmission opportunities in Western Canada.

4. Focus on Execution, Performance, Operational Discipline and Risk Management

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 the construction 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 team 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.

Particular focus for 2014 – Within this context, the Company is pursuing a number of programs and key initiatives to fulfill this strategy this year including:

- ✓ Continued progress on initiatives outlined above towards meeting Aecon's 9 per cent Adjusted EBITDA margin target in 2015;
- ✓ Continued expansion in the offerings of Aecon University to train, develop and advance the careers of Aecon's employees, and implementation of retention and recruitment programs to ensure the Company's capacity to effectively execute on the substantial pipeline of work in front of it;
- ✓ Launch of new risk management tools and project control learning modules through Aecon University to further develop the Company's culture of operational excellence;
- ✓ Initiative to standardize core operating and transactional processes and streamline and standardize key IT systems and applications;
- ✓ Focus on working capital management, and in particular initiatives to improve the billing and cash collection cycle;
- ✓ Position Aecon to participate in the significant, multi-year LNG opportunities on the horizon;
- ✓ Build upon Aecon's expertise in the P3 space by successfully participating in targeted strategic concession opportunities;

✓ Conclude strategic initiative with respect to Aecon's interest in the Quito Airport concession; and
✓ Focus on improving utilization of Aecon's fleet of equipment and optimization of the Company's pipe fabrication and module assembly facilities across Canada.

CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions (except per share amounts)	Three months ended December 31		Year ended December 31	
	2013	2012 [1]	2013	2012 [1]
	$	$	$	$
Revenue	**906.2**	**932.1**	**3,068.6**	**2,887.1**
Gross profit	94.6	93.3	270.5	278.9
Marketing, general and administrative expenses	(34.3)	(38.6)	(148.0)	(157.7)
Income from projects accounted for using the equity method	11.3	34.3	37.9	55.7
Other income (expense)	(0.7)	0.4	–	1.1
Depreciation and amortization	(16.3)	(17.8)	(63.0)	(60.6)
Operating profit	**54.6**	**71.6**	**97.3**	**117.3**
Financing expense, net	(10.6)	(5.1)	(38.3)	(27.2)
Fair value gain (loss) on convertible debentures	(7.3)	3.9	(9.8)	4.3
Profit before income taxes	**36.7**	**70.4**	**49.2**	**94.4**
Income tax expense	(8.4)	(14.1)	(8.6)	(16.8)
Profit	**28.3**	**56.3**	**40.6**	**77.6**
Profit	28.3	56.3	40.6	77.6
Exclude:				
Fair value (gain) loss on convertible debentures	7.3	(3.9)	9.8	(4.3)
Income tax on fair value (gain) loss	(1.9)	1.0	(2.6)	1.1
Adjusted profit	**33.6**	**53.4**	**47.8**	**74.4**
Gross profit margin	**10.4%**	**10.0%**	**8.8%**	**9.7%**
MG&A as a percent of revenue	**3.8%**	**4.1%**	**4.8%**	**5.5%**
Adjusted EBITDA [2]	**79.1**	**77.9**	**184.0**	**171.9**
Adjusted EBITDA margin	**8.7%**	**8.4%**	**6.0%**	**6.0%**
Operating margin	**6.0%**	**7.7%**	**3.2%**	**4.1%**
Earnings per share – basic	**0.54**	**1.06**	**0.77**	**1.46**
Earnings per share – diluted	**0.48**	**0.71**	**0.72**	**1.18**
Adjusted earnings per share – basic	**0.64**	**1.01**	**0.91**	**1.41**
Adjusted earnings per share – diluted	**0.50**	**0.71**	**0.84**	**1.18**
Backlog			**1,773**	**2,428**

(1) Comparative amounts presented for 2012 have been restated to reflect the adoption of new accounting standards. See the *"New Accounting Standards"* section in the MD&A for further details.
(2) See Quarterly Financial Data section for calculation of Adjusted EBITDA. While the definition of EBITDA is unchanged from the previous year, in accordance with the requirements of *CSA staff notice 52-306 (revised) – Non-GAAP Financial Measures and Additional GAAP Measures*, the Company has renamed the defined term from "EBITDA" to "Adjusted EBITDA".

Revenue for the year ended December 31, 2013 increased by $182 million compared to the same period in 2012. The increase in revenue resulted primarily from an increase in the Energy segment ($377 million), specifically in utilities operations driven largely by pipeline work. This increase was partly offset by a $195 million decrease in the Infrastructure segment, primarily in heavy civil and social infrastructure operations.

During 2013, gross profit decreased by $8.4 million. Both the Infrastructure and Energy segments were negatively impacted in 2013 by a significant loss on a project in which both segments participated. In the Energy segment, gross profit increased by $30 million, mainly from utilities operations as a result of a higher volume of work, and offset in part by Energy's 50% share of the above referenced project loss. This increase was more than offset by lower gross profit in the Infrastructure and Mining segments of $27 million and $11 million, respectively. The decrease in the Infrastructure segment was substantially due to the impact from a 50% share of the above referenced project loss in 2013, and from lower volumes in social infrastructure operations. The decrease in the Mining segment was mainly a result of lower margin in contract mining operations in Western Canada.

Marketing, general and administration costs ("MG&A") decreased by $9.7 million in 2013 compared to 2012 and MG&A as a percentage of revenue decreased from 5.5% to 4.8%. The decrease in MG&A costs was driven primarily from a decrease in professional and consulting fees and lower employee incentive costs.

Aecon's participation in projects which are classified for accounting purposes as a joint venture or an associate, as opposed to a joint operation, are accounted for using the equity method. For the year ended December 31, 2013, profits from projects accounted for using the equity method were $17.8 million lower than in the same period in 2012. This decrease occurred primarily in the Concessions segment. In 2012, profits from projects accounted for using the equity method included an $11.0 million benefit from the reduction of previously accrued income taxes as well as the release of $7.4 million in contingencies and other items, related to the Quito airport project that did not repeat in 2013.

Depreciation and amortization expense of $63.0 million in 2013 was $2.4 million higher than 2012. This increase resulted primarily from higher equipment use in Mining operations in Western Canada.

Financing charges, net of interest income, of $38.3 million in 2013 were $11.2 million higher than in 2012. The increase in financing costs resulted in part from a benefit in 2012 from the reversal of $5.7 million in accrued interest following the settlement of a long outstanding income tax matter with Canada Revenue Agency. Higher financing costs also resulted from higher average bank indebtedness in 2013, as well as from additional interest expense following the issuance of convertible debentures in the fourth quarter of 2013.

The terms of the Company's 2014 and 2015 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. The conversion option 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 2013, the fair value loss was $9.8 million compared to a gain of $4.3 million in 2012. For more information, refer to Note 19 of the 2013 consolidated financial statements.

Set out in Note 20 of the 2013 consolidated financial statements is a reconciliation between the expected income tax expense in 2013 and 2012 based on statutory income tax rates and the actual income tax expense reported for both these periods. Included in the 2012 income tax expense was a $2.9 million reduction of previously accrued income taxes as a result of the settlement of a tax matter with Canada Revenue Agency.

Further details for each of the segments are included in the discussion below under Reporting Segments.

BACKLOG

	As at December 31	
$ millions	2013	2012
	$	$
Infrastructure	820	1,120
Energy	876	997
Mining	77	311
Consolidated	1,773	2,428

New contract awards of $2,413 million were booked in 2013 compared to $2,985 million in 2012. 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

	As at December 31			
$ millions	2013		2012	
	$		$	
Next 12 months	1,067	60%	1,493	61%
Next 13–24 months	556	31%	578	24%
Beyond	150	9%	357	15%
	1,773	100%	2,428	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 where the value of the work is not specified, 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.

It should be noted that 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 income (revenue 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 revenue.

REPORTING SEGMENTS

Infrastructure

FINANCIAL HIGHLIGHTS

$ millions	Three months ended December 31		Year ended December 31	
	2013	2012	2013	2012
	$	$	$	$
Revenue	277.9	341.6	1,000.0	1,195.0
Gross profit	13.9	11.4	35.4	62.7
Adjusted EBITDA	4.6	3.1	(1.2)	21.2
Operating profit (loss)	0.2	(0.9)	(18.2)	5.7
Adjusted EBITDA margin	1.7%	0.9%	(0.1)%	1.8%
Operating margin	0.1%	(0.3)%	(1.8)%	0.5%
Backlog			820	1,120

For the year ended December 31, 2013, revenue in the Infrastructure segment of $1,000 million decreased by $195 million or 16% over the prior year. Most of the decrease occurred in heavy civil operations ($148 million) following the completion of several large projects in the latter part of 2012, including the Quito airport project and the Autoroute 30 project in Quebec. In addition, revenue also decreased in social infrastructure operations ($103 million), primarily in the buildings business in Quebec and Ontario as Aecon continues to re-focus its operations in this sector, as well as in its mechanical operations in Western Canada. These decreases were partly offset by an increase in revenue of $56 million in transportation operations due to a higher volume of road building work in Ontario.

For the year ended December 31, 2013, the operating loss in the Infrastructure segment was $18.2 million compared to an operating profit of $5.7 million in 2012, as operating profit in the transportation, social infrastructure and heavy civil operations decreased by $11 million, $4 million and $4 million, respectively.

The decrease in transportation operations occurred primarily as a result of the segment's 50% share of the previously noted significant project loss in 2013. The reduction in operating profit from social infrastructure operations was related to the mechanical business in Western Canada as a result of lower volume of work and lower margin compared with 2012. The decline in heavy civil operations was mostly volume driven.

Infrastructure backlog at December 31, 2013 was $820 million, which is $300 million lower than the same time last year with most of the decrease occurring in social infrastructure and transportation operations, due to lower contract awards in comparison to the prior year. New contract awards totaled $700 million in 2013 compared to $986 million in the prior year.

As discussed in the Consolidated Financial Highlights section, the Infrastructure segment's effective backlog at any given time is greater than what is reported.

Energy
FINANCIAL HIGHLIGHTS

$ millions	Three months ended December 31		Year ended December 31	
	2013	2012	2013	2012
	$	$	$	$
Revenue	466.4	368.3	1,396.4	1,018.9
Gross profit	64.6	52.0	153.1	123.6
Adjusted EBITDA	53.3	35.7	97.4	63.2
Operating profit	49.6	32.1	84.1	50.4
Adjusted EBITDA margin	11.4%	9.7%	7.0%	6.2%
Operating margin	10.6%	8.7%	6.0%	4.9%
Backlog			876	997

For the year ended December 31, 2013, the Energy segment reported revenue of $1,396 million compared to revenue of $1,019 million in the previous year, representing a $377 million, or 37%, increase. Substantially all of the increase was a result of higher volume in utilities operations, primarily from pipeline work in Western Canada and from gas distribution work in Ontario.

For the year ended December 31, 2013, operating profit of $84.1 million increased by $33.7 million compared to the previous year with improvements in both utilities and industrial operations. The increase in operating profit from utilities operations of $12 million is primarily attributable to higher volume as noted above partially offset by its 50% share of a significant loss on a project in 2013 as referenced above in the Consolidated Financial Highlights section. The operating profit increase in industrial operations of $22 million was due to higher volume and margin from fabrication projects in Atlantic Canada and IST, as well as from higher volume in Central Canada, primarily from power generation projects. These increases were partly offset by lower operating profit from industrial operations in Western Canada due to lower volume.

Backlog at December 31, 2013 of $876 million was $121 million lower than last year primarily due to lower backlog in utilities operations as a result of significant work off on pipeline projects in Western Canada throughout 2013. This reduction in backlog was partially offset by new contract awards for site construction projects in the resources sector in Western Canada. New contract awards of $1,275 million in 2013 were $322 million lower than in 2012. Most of the decrease in new awards occurred in utilities operations in Western Canada which obtained significant multi-year pipeline project awards in the previous year.

As discussed in the Consolidated Financial Highlights section, the Energy segment's effective backlog at any given time is greater than what is reported.

Mining
FINANCIAL HIGHLIGHTS

$ millions	Three months ended December 31		Year ended December 31	
	2013	2012	2013	2012
	$	$	$	$
Revenue	169.4	223.9	705.8	676.7
Gross profit	20.5	34.3	86.7	97.5
Adjusted EBITDA	22.3	32.0	74.5	85.8
Operating profit	14.8	23.7	48.0	61.3
Adjusted EBITDA margin	13.2%	14.3%	10.6%	12.7%
Operating margin	8.7%	10.6%	6.8%	9.1%
Backlog			77	311

For the year ended December 31, 2013, the Mining segment reported revenue of $706 million compared to revenue of $677 million in the previous year, representing a $29 million, or 4%, increase. The majority of the increase was due to higher volume of site installation work in the commodity mining sector ($36 million) and from contract mining projects in the oilsands ($51 million). Partially offsetting these increases was lower volume of civil construction projects related to mining, primarily in Western Canada due to the completion of significant projects in 2012.

Operating profit of $48.0 million for the year ended December 31, 2013, decreased by $13.3 million or 22% compared to last year. The decrease is mainly due to lower operating profit from civil construction projects due to lower volume as well as lower margin in contract mining operations in Western Canada. Contract mining was impacted by adverse weather conditions, a significant change in mix versus the prior year, and other productivity factors in 2013, resulting in challenging site conditions, lower utilization of larger equipment and reduced project efficiencies. Partially offsetting these decreases were volume driven improvements from site installation work in the commodity mining sector.

Backlog at December 31, 2013 of $77 million was $234 million lower than last year as a result of the completion of work on a number of significant projects throughout 2013. New contract awards of $472 million in 2013 were $106 million higher than in 2012. The majority of the increase in new awards was due to new projects for site installation services in the commodity mining sector.

As discussed in the Consolidated Financial Highlights section the Mining 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	
	2013	2012	2013	2012
	$	$	$	$
Revenue	1.0	1.1	3.0	2.9
Gross profit	(4.4)	(4.4)	(4.7)	(4.9)
Income from projects accounted for using the equity method	5.0	28.9	23.6	41.8
Adjusted EBITDA	7.5	12.3	39.8	28.1
Operating profit	0.2	23.7	16.6	33.2

With the adoption of IFRS 11 *"Joint Arrangements"* on January 1, 2013, Aecon's investment in the Quito airport concessionaire ("Quiport JV") is reported using the equity method of accounting. Previously Quiport JV was reported using proportionate consolidation. Prior period amounts for 2012 have been restated to reflect the same basis of accounting. The impact of adopting IFRS 11 is described in further detail in the section entitled *"New Accounting Standards"*.

As a result of the above noted change, revenue reported in the Concessions segment for the year ended December 31, 2013 and 2012, is $3.0 million and $2.9 million respectively.

For the year ended December 31, 2013, operating profit of $16.6 million was $16.6 million lower than the same period last year. Included in the 2012 results was an $11.0 million benefit from the reduction of previously accrued income taxes, as well as the release of $7.4 million in contingencies and other items, related to the Quito airport project. After accounting for the impact of these 2012 specific items, the remaining year-over-year increase in Concessions operating profit resulted from higher revenue in Quiport JV following the transition of operations from the old Quito airport to the new Quito airport in February 2013 and year-over-year passenger growth which more than offset an increase in amortization and interest expense.

Approximately 2.7 million passengers departed through the existing and new Quito airports in 2013, a 1% increase over 2012.

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

QUARTERLY FINANCIAL DATA

Set out below is quarterly financial data for the most recent eight quarters:

$ millions (except per share amounts)	2013				2012			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	$	$	$	$	$	$	$	$
Revenues	906.2	897.3	697.6	567.4	932.1	820.5	648.1	486.4
Adjusted EBITDA	79.1	79.5	36.7	(11.3)	77.9	68.6	25.8	(0.4)
Earnings (loss) before income taxes	36.7	45.1	9.4	(42.0)	70.4	47.7	4.5	(28.2)
Profit (loss)	28.3	34.4	7.9	(29.9)	56.3	35.8	5.0	(19.6)
Adjusted profit (loss)	33.6	36.4	6.0	(28.3)	53.4	34.6	4.0	(17.6)
Earnings (loss) per share:								
Basic	0.54	0.65	0.15	(0.56)	1.06	0.67	0.10	(0.37)
Diluted	0.48	0.53	0.13	(0.56)	0.71	0.50	0.09	(0.37)
Adjusted earnings (loss) per share:								
Basic	0.64	0.69	0.11	(0.53)	1.01	0.65	0.08	(0.33)
Diluted	0.50	0.53	0.11	(0.53)	0.71	0.50	0.07	(0.33)

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 dilutive securities, such as convertible debentures, and share issuances throughout the periods, the sum of the quarterly earnings (losses) per share will not equal the total for the year.

Set out below is the calculation of Adjusted EBITDA for the most recent eight quarters:

$ millions	2013				2012			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	$	$	$	$	$	$	$	$
Operating profit (loss)	54.6	57.6	16.2	(31.1)	71.6	52.1	10.9	(17.3)
Depreciation and amortization	16.3	15.0	14.3	17.5	17.8	14.5	12.8	15.6
(Gain) loss on sale of assets and investments	0.9	–	(0.3)	(0.2)	(0.1)	(0.3)	–	(0.6)
Income from projects accounted for using the equity method	(11.3)	(9.5)	(8.6)	(8.4)	(34.3)	(7.3)	(7.7)	(6.4)
JV EBITDA	18.7	16.5	15.1	10.9	22.9	9.6	9.8	8.3
Adjusted EBITDA	79.1	79.5	36.7	(11.3)	77.9	68.6	25.8	(0.4)

Set out below is the calculation of JV EBITDA for the most recent eight quarters:

$ millions	2013				2012			
Aecon's proportionate share of projects accounted for using the equity method(1)	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	$	$	$	$	$	$	$	$
Operating profit	15.2	13.2	11.8	9.8	22.9	8.6	8.9	7.2
Depreciation and amortization	3.5	3.3	3.3	1.1	–	1.1	0.9	1.1
Gain on sale of assets and investments	–	–	–	–	–	–	–	–
JV EBITDA	18.7	16.5	15.1	10.9	22.9	9.6	9.8	8.3

(1) Refer to Note 11 "Projects Accounted for Using the Equity Method" in the consolidated financial statements.

QUARTERLY FINANCIAL HIGHLIGHTS

	Three months ended December 31			
	Revenue		Operating profit (loss)	
$ millions	2013	2012	2013	2012
	$	$	$	$
Infrastructure	277.9	341.6	0.2	(0.9)
Energy	466.4	368.3	49.6	32.1
Mining	169.4	223.9	14.8	23.7
Concessions	1.0	1.1	0.2	23.7
Other costs and eliminations	(8.5)	(2.8)	(10.2)	(7.0)
Consolidated	906.2	932.1	54.6	71.6

The analysis of operating results for each of the first three quarters of 2013 is included in Management's Discussion and Analysis incorporated in the Interim Reports to Shareholders for each respective quarter.

Infrastructure segment revenue in the fourth quarter of 2013 was $64 million, or 19%, lower than in the fourth quarter of 2012. Most of the decrease in the quarter occurred in heavy civil operations ($47 million) and similar to the full year commentary reflects the completion of several large projects in the fourth quarter of 2012. Revenue also decreased in social infrastructure operations by $33 million, largely in Ontario. These decreases were partially offset by an increase in transportation operations of $16 million, largely due to higher volume of road building work in Ontario and Western Canada.

Operating profit in the Infrastructure segment of $0.2 million in the fourth quarter of 2013 increased by $1.1 million compared to the fourth quarter of 2012. The increase was due to margin improvements in both transportation ($5.4 million increase in operating profit), primarily from road building operations in Western Canada, and in social infrastructure ($1.8 million increase in operating profit), primarily from mechanical operations in Western Canada. These increases offset volume driven declines in heavy civil operations.

Energy segment revenue in the fourth quarter of 2013 was $98 million, or 27%, higher than in the fourth quarter of 2012. Consistent with the pattern throughout the year, most of the increase occurred in utilities operations ($103 million), primarily from pipeline work in Western Canada. Revenue from industrial operations was down $5 million as increases in Central Canada from power generation and distribution work were offset by lower volume in Western Canada, primarily due to the completion of significant fabrication and module assembly projects throughout 2013.

Operating profit in the Energy segment of $49.6 million in the fourth quarter of 2013 increased by $17.5 million compared to the fourth quarter of 2012. The majority of the period-over-period increase in operating profit was from industrial operations, primarily from higher volume of power generation and distribution work in Central Canada, higher volume and margins from fabrication operations in Atlantic Canada, and higher volume in IST. Operating profit in utilities also increased slightly as volume driven increases in Western Canada were partially offset by lower margins on work in Eastern Canada in the quarter.

Mining segment revenue in the fourth quarter of 2013 was $55 million, or 24%, lower than in the fourth quarter of 2012. The decrease occurred primarily in site installation work ($46 million) and in contract mining ($14 million) following substantial completion of significant projects in both areas.

Operating profit in the Mining segment of $14.8 million in the fourth quarter of 2013 decreased by $8.9 million compared to the fourth quarter of 2012. The majority of the period-over-period decrease in operating profit was due to lower volume and margin from site installation work and lower volume in contract mining.

Operating profit in the Concessions segment of $0.2 million for the fourth quarter of 2013 represented a $23.5 million decrease over the same quarter in the previous year. As noted above in the Concessions segment commentary for the full year, the 2012 operating profit results included a benefit from the reduction of previously accrued income taxes, as well as the release of certain contingencies, related to the Quito Airport project which were not repeated in 2013.

MG&A expense decreased by $4.3 million in the fourth quarter of 2013 compared to 2012 and MG&A as a percent of revenue decreased from 4.1% to 3.8%. Lower MG&A was primarily attributable to lower personnel and incentive costs, partly offset by higher bid costs.

SELECT ANNUAL INFORMATION

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

($ millions, except per share amounts)	2013	2012	2011
	$	$	$
Total revenues	3,068.6	2,887.1	2,896.2
Adjusted EBITDA	184.0	171.9	163.1
Operating profit	97.3	117.3	100.5
Profit	40.6	77.6	57.6
Per share:			
Basic	0.77	1.46	1.07
Diluted	0.72	1.18	0.84
Adjusted profit	47.8	74.4	54.5
Per share:			
Adjusted earnings	0.91	1.41	1.01
Adjusted diluted earnings	0.84	1.18	0.84
Total assets	1,993.6	1,863.6	1,984.1
Total long-term financial liabilities	466.6	485.6	702.4
Cash dividends declared per common share	0.32	0.28	0.20

(1) Amounts presented for 2013 and 2012 are prepared in accordance with current IFRS 11, while 2011 amounts are prepared in accordance with IFRS before the adoption of IFRS 11.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Aecon's participation in joint arrangements classified as joint operations are accounted for in the consolidated financial statements by reflecting, line by line, Aecon's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations.

Aecon's participation in joint arrangements classified as joint ventures, including Quiport JV, as well as Aecon's participation in project entities where Aecon exercises significant influence over the entity, but does not control or jointly control the entity (i.e. associates), are accounted for using the equity method.

For further information, see Note 11 in the 2013 consolidated financial statements.

Cash And Debt Balances

Cash balances at December 31, 2013 and December 31, 2012 are as follows:

	December 31, 2013		
$ millions	Balances excluding Joint Operations	Joint Operations	Consolidated Total
	$	$	$
Cash and cash equivalents [1]	148	93	241
Restricted cash [2]	4	–	4

	December 31, 2012		
	Balances excluding Joint Operations	Joint Operations	Consolidated Total
	$	$	$
Cash and cash equivalents [1]	–	63	63
Restricted cash [2]	4	–	4
Bank indebtedness [3]	(10)	–	(10)

(1) Cash and cash equivalents includes cash on deposit in bank accounts of joint operations which Aecon cannot access directly.
(2) Restricted cash includes cash that is deposited as collateral for letters of credit issued by Aecon.
(3) Bank indebtedness represents borrowings on Aecon's revolving credit facility.

Total long-term debt of $613 million at December 31, 2013 compares to $461 million at December 31, 2012, the composition of which is as follows:

$ millions	December 31, 2013	December 31, 2012
	$	$
Current portion of long-term debt	67.9	61.9
Long-term debt	123.1	146.0
Convertible debentures	422.4	253.2
Total long-term debt	**613.4**	**461.1**

Most of the $152.3 million net increase in total debt results from the issuance of convertible debentures in 2013. Convertible debentures increased by $169.2 million during 2013, with $153.1 million resulting from the issuance of new convertible debentures, $6.4 million related to the accretion of notional interest on all debentures, and a $9.8 million loss in the fair value attributed to the embedded derivative component of the convertible debentures maturing in 2014 and 2015.

During November 2013, the Company issued $172.5 million in unsecured, subordinated convertible debentures maturing December 31, 2018. The debentures bear interest at a rate of 5.50% per annum payable on a semi-annual basis. At the holder's option, the convertible debentures may be converted into common shares of the Company at any time up to the maturity date at a conversion price of $20.00 for each common share, subject to adjustment in certain circumstances. For accounting purposes, the conversion rights have been assigned a value of $11.8 million ($8.7 million after-tax), which is included in shareholders' equity, and $153.1 million (after transaction costs of $7.6 million) was assigned to the debt component of the debentures.

Aecon's liquidity position and capital resources are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. Aecon's liquidity position is strengthened by its ability to draw on a committed revolving credit facility of $300 million of which $238 million was unutilized as of December 31, 2013. When combined with two letter of credit facilities provided by Export Development Canada (a $250 million domestic facility, up from $150 million at December 31, 2012, and a US$15 million international facility), Aecon's current total committed credit availability for working capital and letter of credit requirements is approximately $566 million. As of December 31, 2013, Aecon was in compliance with all debt covenants related to its credit facility.

On September 30, 2014, $172.5 million of convertible debentures will mature. At the holder's option, the 2014 convertible debentures may be converted into common shares of the Company at any time up to the maturity date at a conversion price of $19.00 for each common share, subject to adjustment in certain circumstances. Aecon has the ability to repay the debentures with cash, shares, or a combination of cash and shares. Management intends to use the net proceeds from the debenture issue in the fourth quarter of 2013 to repay the debentures due September 30, 2014.

In the first quarter of 2013, Aecon's Board of Directors approved an increase in the dividend to be paid to all holders of Aecon common shares. Annual dividends increased to $0.32 per share, to be paid in four quarterly payments of $0.08 per share. Prior to this increase, Aecon paid an annual dividend of $0.28 per share ($0.07 each quarter). The first quarterly dividend payment of $0.08 per share was paid on April 1, 2013.

Summary Of Cash Flows

	Consolidated Cash Flows	
	As at December 31	
$ millions	2013	2012
	$	$
Cash provided by (used in):		
Operating activities	134.0	51.7
Investing activities	(43.1)	(64.5)
Financing activities	86.3	(97.0)
Increase (decrease) in cash and cash equivalents	177.2	(109.8)
Effects of foreign exchange on cash balances	0.1	(0.2)
Cash and cash equivalents – beginning of year	63.3	173.2
Cash and cash equivalents – end of year	240.6	63.3

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 peaking near year end or in the first quarter of the year.

Operating Activities
Cash provided by operating activities of $134 million in 2013 compares with cash provided by operating activities of $52 million in 2012. Most of the $82 million year-over-year increase in cash from operating activities resulted from favourable changes in working capital largely in the Mining segment.

Investing Activities
In 2013, investing activities resulted in a use of cash of $43 million, which compares with cash used of $65 million in 2012. In 2013, $37 million of cash was used for capital expenditures (net of disposals) on property, plant and equipment compared to $46 million of cash used in 2012 and purchases of intangible assets increased from $2 million to $13 million in 2013. In addition, $8 million of cash was provided by projects accounted for using the equity method compared to $17 million of cash used for advances to projects accounted for using the equity method in 2012. The year-over-year reduction in cash advances to equity accounted projects resulted from cash advances to Quiport JV in 2012 that were not repeated in 2013 after the new Quito airport project reached substantial completion.

In 2013, Aecon acquired, either through purchases or finance leases, property, plant and equipment totalling $73 million. Most of this investment in property, plant and equipment occurred in the Mining segment for maintenance and replacement of machinery, construction equipment and heavy equipment as part of normal ongoing business operations. In 2012, investments in property, plant and equipment totalled $87 million, again with most of the spending occurring in the Mining segment.

Financing Activities
In 2013, cash provided by financing activities amounted to $86 million, compared to cash used of $97 million in the previous year. In 2013, the Company issued $172.5 million of convertible debentures resulting in a cash inflow of $165 million after transaction costs. Other issuances of long-term debt in 2013 amounted to $23 million, while repayments totalled $68 million, for a net outflow of $45 million. The majority of the debt repayments related to equipment financing arrangements. In 2012, net debt repayments totalled $84 million, most of which related to the repayment of non-recourse project debt on Infrastructure Ontario build finance projects and repayments on equipment financing arrangements.

In addition, $10 million of cash was used in 2013 to purchase Aecon common shares for the Company's Long-Term Incentive Plan compared to an $8 million outlay in 2012. Dividends of $17 million were paid in 2013 compared to $15 million in 2012.

NEW ACCOUNTING STANDARDS

The following IFRS standards became effective for the Company on January 1, 2013.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1

The amendments to IAS 1 change the disclosure of items presented in other comprehensive income. IAS 1 requires the presentation of items in other comprehensive income as two separate groups based on whether or not those items will be recycled to profit or loss in the future. The amendment affects presentation only and has no impact on the Company's financial position or results of operations.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the previous guidance in IAS 27, *"Consolidated and Separate Financial Statements"*, and SIC 12, *"Consolidation: Special Purpose Entities"*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company, and provides additional guidance to assist in the determination of control. The adoption of IFRS 10 did not impact the consolidation of any investments currently held by the Company.

IFRS 11 Joint Arrangements

IFRS 11 replaces the previous 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 follows accounting similar to that for jointly controlled assets and jointly controlled operations under IAS 31. This standard became effective for annual periods beginning on or after January 1, 2013, and was applied retrospectively for joint arrangements existing at the date of initial application.

Most of the Company's existing joint arrangements continue to be classified as joint operations under the new standard with no significant change in the accounting for these projects.

However, some joint arrangements have been classified as joint ventures under the new standard and as a result are accounted for using the equity method instead of proportionate consolidation. While adoption of this standard did not impact the overall reported profit attributable to shareholders, IFRS 11 did impact the amounts reported for revenue and expense items, as well as amounts reported for asset and liability items. The effects of adopting this new accounting standard on the consolidated balance sheets at January 1, 2012 and December 31, 2012, the effects on the statements of income and comprehensive income for the year ended December 31, 2012 and the effects on the cash flows of the Company for the year ended December 31, 2012 are summarized in Note 32 "Reconciliation Statements" to the 2013 Consolidated Financial Statements.

The Company also adopted IFRS 12, *"Disclosure Of Interests In Other Entities"*, as well as the consequential amendments to IAS 28, *"Investments In Associates And Joint Ventures"*, at the same time.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 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"*. These new disclosures have no impact on the Company's financial position or results of operations.

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on measuring fair value. The standard also enhances the disclosure requirements about fair value measurements. These new disclosures have no impact on the Company's financial position or results of operations.

IAS 19 Employee Benefits (2011)

IAS 19 (2011) replaces the previous guidance in IAS 19 (2008). The amendments to IAS 19 change the recognition and measurement standards for defined benefit pension expense and termination benefits. The amendment also introduces expanded disclosure requirements. This new accounting standard was applied retrospectively.

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, 2013. 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, 2013 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, 2013. 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, 2013 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

There have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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	Other long-term debt	Convertible debentures [1]
	$	$	$
2014	14.2	75.6	172.5
2015–2018	22.3	126.0	264.5
Beyond	4.9	3.5	–
	41.5	**205.2**	**437.0**

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

At December 31, 2013, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $1,773 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 21 to the Company's 2013 consolidated financial statements.

Aecon's defined benefit pension plans (the "Pension Plans") had a combined deficit of $4.3 million at December 31, 2013 (2012 – $7.6 million). Details relating to Aecon's defined benefit plans are set out in Note 21 to the 2013 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 any change in contributions in 2014 and 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 remeasurement 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 21 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. A significant actuarial and accounting assumption impacting the reporting of pension plans is the discount rate assumption. As at December 31, 2013, Aecon used a discount rate of 3.75% in its pension plan calculations for financial statement purposes. The impact of a 0.5% decrease in the discount rate assumption would have resulted in an increase in the pension benefit obligation of approximately $2.4 million at December 31, 2013 and an increase in the estimated 2014 pension expense of approximately $0.1 million.

Further details of contingencies and guarantees are included in the 2013 consolidated financial statements.

Related Party Transactions

There were no significant related party transactions in 2013 except for the repayment in full of a $0.6 million loan due from an officer of the Company.

Critical Accounting Estimates and Judgements

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 4 of the consolidated annual financial statements.

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 is 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 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. In addition, previously announced or anticipated projects in the Alberta oil sands and commodities mining sector continue to grow in size, scope and complexity. The risks associated with such large scale infrastructure and industrial 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 in recent 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 significant 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, see "Contractual Factors" under "Risk Factors" herein.

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. For additional details, see Note 21 "Contingencies" and Note 22 "Commitments Under Non-Cancellable Operating Leases" to the Company's 2013 consolidated financial statements filed on its SEDAR profile at www.sedar.com.

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. 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 and Partnerships British Columbia 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, its 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 to 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 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 the number of 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, reputation for safety, 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 oil sands and commodities mining sector demonstrated that economic activity in the resources and commodities sector could be impacted by a variety of factors. General factors include but are not limited to: 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 oil sands and their potential environmental impact; and a shortage of sufficient pipeline capacity to transport production to major markets. Given the volatility of world oil and commodity prices, a sustained period of low prices on a going forward basis may result in material differences in previously projected oil sands and resource 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, 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 Corporacion Quiport S.A. ("Quiport JV"), an Ecuadorian company administering the Quito Airport Project concession, which includes 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 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. For additional details, see Note 21 "Contingencies" in the Company's 2013 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 28 "Financial Instruments" in the Company's 2013 consolidated financial statements.

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, Mining and Energy 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. Insurance risk entails inherent unpredictability that can arise from assuming long-term policy liabilities or from uncertainty of future events. 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 coverage for any direct equity and/or contingent equity exposure of the Company in respect of the Quiport JV or other ongoing international projects 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, the 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 oil sands) will not be proposed and, if implemented, might 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 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.

Interruption, Failure or Breach of Information Systems

Aecon relies extensively on information systems, data and communication networks to effectively manage its operations. Complete, accurate, available and secure information is vital to the Company's operations and any compromise in such information could result in improper decision making, inaccurate or delayed operational and/or financial reporting, delayed resolution to problems, breach of privacy and/or unintended disclosure of confidential materials. Failure in the completeness, accuracy, availability or security of Aecon's information systems or a breach of data security could adversely affect its operations and financial results. Similarly, computer viruses, cyber-attacks, security breaches, unforeseen natural disasters and related events or disruptions could result in information systems failures that may adversely affect Aecon's operations and financial results.

Integration and Acquisition Risk

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 acquisitions. A failure to successfully integrate 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 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 revenue 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.

Failure of Clients to Obtain Required Permits and Licences

The development of construction projects requires Aecon's clients to obtain regulatory and other permits and licenses from various governmental licensing bodies. Aecon's clients may not be able to obtain all necessary permits and licenses required for the development of their projects, in a timely manner or at all. These delays are generally outside the Company's control. The major costs associated with these delays are personnel and associated overhead that is designated for the project which cannot be reallocated effectively to other work. If the client's project is unable to proceed, it may adversely impact the demand for the Company's services.

Loss of Key Management and 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 oil sands or other resource related sectors and the impact of economic weakness 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 several 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 heat recovery steam generator and enhanced oil recovery systems. 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)	March 11, 2014
Number of common shares outstanding(1)	56,315,484
Outstanding securities exchangeable or convertible into common shares:	
Number of stock options outstanding	633,332
Number of common shares issuable on exercise of stock options	633,332
Increase in paid-up capital on exercise of stock options	$7,186
Principal amount of convertible debentures outstanding (see Note 18 to the 2013 consolidated financial statements)	$431,073
Number of common shares issuable on conversion of convertible debentures	22,546,053
Increase in paid-up capital on conversion of convertible debentures	$431,073

(1) The number of common shares outstanding as per the above table at March 11, 2014 includes 3,312,477 shares held by the trustee of Aecon's Long-Term Incentive Plan ("LTIP").

The number of common shares outstanding at March 11, 2014 for financial statement purposes, after deducting the above LTIP shares, was 53,003,007 shares.

OUTLOOK

Aecon's fourth quarter results contributed to another year of solid progress. Adjusted EBITDA for the fourth quarter was $79.1 million (margin of 8.7 per cent), up from the $77.9 million (margin of 8.4 per cent) for the comparable quarter of 2012. For the year, revenue grew 6% to over $3 billion and Adjusted EBITDA grew 7% to $184.0 million as compared to $171.9 million in 2012. (This year-over-year improvement occurred notwithstanding a specific project provision that affected the Infrastructure and Energy segments in 2013.)

The solid results and steady improvements are expected to continue as we enter 2014. All of our major projects are proceeding well. We are meeting all key project milestones and our excellent safety record remains intact.

Aecon remains committed to further develop its balanced and diversified strategy within its three core target markets: infrastructure, energy and mining.

As expected, our backlog of work will be subject to variability owing to the more substantial projects on which we are working and/or in pursuit. While backlog stood at $1.8 billion at year-end 2013, our pipeline of pursuits in all three market segments remains very robust and Aecon was recently recommended for two major projects for a total of almost $500 million alone.

These two projects will significantly boost the backlog of work that we have in our Infrastructure segment. Alongside other projects that we already have in hand, they underline the emergence of Aecon being the premier construction and infrastructure development company in Canada for large, complex, multi-disciplinary projects. These are both Aecon-led partnerships and reflect our drive to diligently work in leading joint ventures on sophisticated multi-year projects.

Our Energy segment's progress continues to be strong. With more robust bidding activity and expected demand in this market sector, we are in pursuit of numerous opportunities that we expect will grow our energy segment backlog which is already at substantial levels.

Within our Mining segment, we have successfully completed the significant expansion of the Rocanville potash facility in Saskatchewan. While we continue to actively pursue a number of projects in this segment, timing in securing new work has been slower than expected. However, we anticipate current discussions regarding awards for significant mining work will be confirmed in due course.

It is worth noting that our effective backlog is greater than what is reported, because it does not include recurring revenues. Recurring revenues remain strong, comprising approximately 25 per cent of our overall business, and are based on construction services that cannot be specifically quantified in advance; they are typically based on long-term supplier-of-choice, master service agreements, and alliance agreements.

Overall, our focus remains on margin growth, operational execution, and financial performance, with particular emphasis in 2014 on:

- Continued evolution in the mix of business and projects we pursue and secure leading to higher overall margin;
- Further operational efficiencies, including additional enhancements in project controls and training for all employees as part of the comprehensive offerings of Aecon University which was launched in 2013;
- Improving utilization of our extensive equipment fleet; and
- Further optimization of our pipe fabrication and module assembly facilities across Canada.

Our positive outlook for 2014 is based on five specific key drivers:

1. Significant new Infrastructure projects ramping up and additional opportunities on the horizon;
2. Further growth in our Energy business related to the oil sands in Western Canada – co-generation power plant facilities, mainline pipeline expansions, utilities work, and pipe fabrication and module assembly – and the nuclear power sector in Ontario, as well as positioning ourselves to participate in the emerging LNG opportunities in British Columbia;
3. Securing targeted opportunities in the mining segment, particularly in the potash sector;
4. Concluding the strategic initiative with respect to Aecon's interest in the Quito Airport concession; and
5. Participating in the continued very strong pipeline of P3 opportunities in virtually all provinces across Canada.

Canada offers a host of opportunities for Aecon and we intend to capitalize on our national scale and scope of services. The Government of Canada has announced $53 billion for multi-year commitments regarding investment in infrastructure and resource development. Provincial and municipal governments have recognized the ongoing need to continue to invest in infrastructure and economic development.

As usual, we expect the second half of 2014 to be stronger than the first half reflecting the typical seasonality of our work. Capital expenditures are expected to remain relatively consistent with 2013 levels. Aecon's balance sheet, financial liquidity and substantial bonding capacity continue to provide the financial resources required to capitalize on the opportunities before us.

Finally, we will continue to maintain a disciplined bidding approach and seek out projects with a margin profile that will contribute towards meeting our Adjusted EBITDA margin target of nine per cent in 2015.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

Contents

43 Independent Auditor's Report
44 Consolidated Balance Sheets
45 Consolidated Statements of Income
46 Consolidated Statements of Comprehensive Income
47 Consolidated Statements of Changes in Equity
49 Consolidated Statements of Cash Flows
50 Notes to the Consolidated Financial Statements
50 1. CORPORATE INFORMATION
50 2. DATE OF AUTHORIZATION FOR ISSUE
50 3. BASIS OF PRESENTATION
50 4. CRITICAL ACCOUNTING ESTIMATES
52 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
58 6. NEW ACCOUNTING STANDARDS
59 7. FUTURE ACCOUNTING CHANGES
59 8. TRADE AND OTHER RECEIVABLES
59 9. UNBILLED REVENUE AND DEFERRED REVENUE
59 10. INVENTORIES
60 11. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD
61 12. PROPERTY, PLANT AND EQUIPMENT
62 13. INTANGIBLE ASSETS
63 14. BANK INDEBTEDNESS
63 15. TRADE AND OTHER PAYABLES
63 16. PROVISIONS
64 17. LONG-TERM DEBT
64 18. CONVERTIBLE DEBENTURES
65 19. INCOME TAXES
67 20. EMPLOYEE BENEFIT PLANS
68 21. CONTINGENCIES
68 22. COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES
68 23. CAPITAL STOCK
69 24. EXPENSES
70 25. FINANCE COSTS
70 26. EARNINGS PER SHARE
70 27. SUPPLEMENTARY CASH FLOW INFORMATION
70 28. FINANCIAL INSTRUMENTS
73 29. CAPITAL DISCLOSURES
73 30. OPERATING SEGMENTS
76 31. RELATED PARTIES
77 32. RECONCILIATION STATEMENTS

March 11, 2014

Independent Auditor's Report

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, 2013, December 31, 2012 and January 1, 2012 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aecon Group Inc. and its subsidiaries as at December 31, 2013, December 31, 2012 and January 1, 2012 and their financial performance and their cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

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CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2013 AND 2012 AND JANUARY 1, 2012

(in thousands of Canadian dollars)

	Note	December 31, 2013	December 31, 2012	January 1, 2012
			(Notes 6 & 32)	(Notes 6 & 32)
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		240,602	63,301	173,241
Restricted cash		3,934	3,676	5,867
Marketable securities		–	–	725
Trade and other receivables	8	507,213	618,422	519,996
Unbilled revenue	9	325,946	317,062	252,654
Inventories	10	28,703	31,018	30,499
Income tax recoverable	19	8,587	11,806	9,695
Prepaid expenses		14,603	18,528	16,772
		1,129,588	1,063,813	1,009,449
Non-current assets				
Long-term financial assets		4,980	4,806	8,504
Projects accounted for using the equity method	11	232,467	190,923	120,513
Deferred income tax assets	19	42,534	34,198	31,895
Property, plant and equipment	12	512,257	508,553	482,033
Intangible assets	13	71,760	61,320	63,764
		863,998	799,800	706,709
TOTAL ASSETS		1,993,586	1,863,613	1,716,158
LIABILITIES				
Current liabilities				
Bank indebtedness	14	–	10,368	–
Trade and other payables	15	557,166	603,244	510,487
Provisions	16	8,827	4,144	11,120
Deferred revenue	9	129,855	144,421	101,483
Income taxes payable	19	3,036	10,773	12,343
Non-recourse project debt		–	–	48,387
Long-term debt	17	67,890	61,899	65,690
Convertible debentures	18	173,582	–	–
		940,356	834,849	749,510
Non-current liabilities				
Provisions	16	5,721	10,201	24,223
Long-term debt	17	123,128	146,048	142,581
Convertible debentures	18	248,817	253,189	251,429
Deferred income tax liabilities	19	83,119	67,051	51,640
Other liabilities		5,837	9,117	10,438
		466,622	485,606	480,311
TOTAL LIABILITIES		1,406,978	1,320,455	1,229,821
EQUITY				
Capital stock	23	286,747	287,571	291,633
Convertible debentures	18	8,674	–	–
Contributed surplus		6,477	7,258	6,027
Retained earnings		277,474	254,780	192,808
Accumulated other comprehensive income (loss)		7,236	(6,451)	(4,131)
TOTAL EQUITY		586,608	543,158	486,337
TOTAL LIABILITIES AND EQUITY		1,993,586	1,863,613	1,716,158

Approved by the Board of Directors — John M. Beck, Director — Anthony P. Franceschini, Director

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

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

	Note	December 31, 2013	December 31, 2012 (Notes 6 & 32)
		$	$
Revenue		3,068,608	2,887,106
Direct costs and expenses	24	(2,798,134)	(2,608,184)
Gross profit		270,474	278,922
Marketing, general and administrative expenses	24	(148,004)	(157,707)
Depreciation and amortization	24	(63,024)	(60,640)
Income from projects accounted for using the equity method	11	37,852	55,680
Other income (loss)		(42)	1,079
Operating profit		97,256	117,334
Finance income		1,953	2,104
Finance costs	25	(40,289)	(29,257)
Fair value (loss) gain on convertible debentures	18	(9,750)	4,260
Profit before income taxes		49,170	94,441
Income tax expense	19	(8,572)	(16,845)
Profit for the year		40,598	77,596
Basic earnings per share	26	0.77	1.46
Diluted earnings per share	26	0.72	1.18

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(in thousands of Canadian dollars)

	December 31, 2013	December 31, 2012
		(Notes 6 & 32)
	$	$
Profit for the year	40,598	77,596
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Actuarial gain (loss)	2,675	(330)
Income taxes on the above	(669)	83
	2,006	(247)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences – foreign operations	275	2
Currency translation differences – equity-accounted investees	11,784	(2,059)
Cash flow hedges – equity-accounted investees	(504)	(21)
Income taxes on the above	126	5
	11,681	(2,073)
Total other comprehensive income (loss) for the year	13,687	(2,320)
Comprehensive income for the year	54,285	75,276

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

					Accumulated other comprehensive income (loss)			
	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Currency translation differences	Actuarial gains and losses	Cash flow hedges	Shareholders' equity
	$	$	$	$	$	$	$	$
Balance as at January 1, 2013	**287,571**	**–**	**7,258**	**254,780**	**(4,023)**	**(2,397)**	**(31)**	**543,158**
Profit for the year	–	–	–	40,598	–	–	–	40,598
Other comprehensive income (loss):								
Currency translation differences – foreign operations	–	–	–	–	275	–	–	275
Currency translation differences – equity-accounted investees	–	–	–	–	11,784	–	–	11,784
Actuarial gain	–	–	–	–	–	2,675	–	2,675
Cash flow hedges – equity-accounted investees	–	–	–	–	–	–	(504)	(504)
Taxes with respect to above items included in other comprehensive income	–	–	–	–	–	(669)	126	(543)
Total other comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**12,059**	**2,006**	**(378)**	**13,687**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**40,598**	**12,059**	**2,006**	**(378)**	**54,285**
Dividends declared	–	–	–	(17,904)	–	–	–	(17,904)
Common shares issued on exercise of options	5,387	–	(1,437)	–	–	–	–	3,950
Granting of stock options	–	–	656	–	–	–	–	656
Common shares purchased by the Trust of the long-term incentive plan ("LTIP")	(10,169)	–	–	–	–	–	–	(10,169)
Transfers by the Trust to settle LTIP obligations	3,958	–	–	–	–	–	–	3,958
Issuance of convertible debentures	–	8,674	–	–	–	–	–	8,674
Balance as at December 31, 2013	**286,747**	**8,674**	**6,477**	**277,474**	**8,036**	**(391)**	**(409)**	**586,608**

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

	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): Currency translation differences	Actuarial gains and losses	Cash flow hedges	Shareholders' equity
	$	$	$	$	$	$	$	$
Balance as at January 1, 2012 (Note 6)	**291,633**	**–**	**6,027**	**192,808**	**(1,966)**	**(2,150)**	**(15)**	**486,337**
Profit for the year	–	–	–	77,596	–	–	–	77,596
Other comprehensive income (loss):								
Currency translation differences – foreign operations	–	–	–	–	2	–	–	2
Currency translation differences – equity-accounted investees	–	–	–	–	(2,059)	–	–	(2,059)
Actuarial loss	–	–	–	–	–	(330)	–	(330)
Cash flow hedges – equity accounted investees	–	–	–	–	–	–	(21)	(21)
Taxes with respect to above items included in other comprehensive income	–	–	–	–	–	83	5	88
Total other comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**(2,057)**	**(247)**	**(16)**	**(2,320)**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**77,596**	**(2,057)**	**(247)**	**(16)**	**75,276**
Dividends declared	–	–	–	(15,624)	–	–	–	(15,624)
Granting of stock options	–	–	1,231	–	–	–	–	1,231
Common shares purchased by the Trust of the long-term incentive plan ("LTIP")	(8,435)	–	–	–	–	–	–	(8,435)
Transfers by the Trust to settle LTIP obligations	4,373	–	–	–	–	–	–	4,373
Balance as at December 31, 2012	**287,571**	**–**	**7,258**	**254,780**	**(4,023)**	**(2,397)**	**(31)**	**543,158**

During the year ended December 31, 2013, the Company declared dividends amounting to $0.32 per share (December 31, 2012 – $0.28 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, 2013 AND 2012

(in thousands of Canadian dollars)

	Note	December 31, 2013	December 31, 2012 (Notes 6 & 32)
		$	$
CASH PROVIDED BY (USED IN)			
Operating activities			
Profit before income taxes		49,170	94,441
Income taxes paid		(9,091)	(10,206)
Defined benefit pension		(612)	(1,178)
Items not affecting cash:			
Depreciation and amortization		63,024	60,640
Income from projects accounted for using the equity method		(37,852)	(55,680)
Loss (gain) on sale of property, plant and equipment		399	(898)
Income from leasehold inducements		(356)	(403)
Unrealized foreign exchange loss		179	219
Increase (decrease) in provisions		2,409	(3,230)
Notional interest representing accretion		6,207	6,244
Fair value (gain) loss on convertible debentures		9,750	(4,260)
Stock-based compensation		656	1,231
Change in other balances relating to operations	27	50,138	(35,192)
		134,021	51,728
Investing activities			
(Increase) decrease in restricted cash balances		(258)	2,192
Decrease in marketable securities		–	725
Purchase of property, plant and equipment		(45,725)	(50,991)
Proceeds on sale of property, plant and equipment		9,108	4,834
Increase in intangible assets		(13,233)	(2,159)
Increase in long-term financial assets		(719)	(2,338)
Distributions from (advances to) projects accounted for using the equity method		7,714	(16,805)
		(43,113)	(64,542)
Financing activities			
Increase (decrease) in bank indebtedness		(10,368)	10,368
Issuance of long-term debt		22,823	44,323
Repayments of long-term debt		(67,557)	(128,701)
Issuance of capital stock		3,950	–
Repurchase of capital stock		(10,169)	(8,435)
Dividends paid		(17,318)	(14,511)
Issuance of convertible debentures		164,900	–
		86,261	(96,956)
Increase (decrease) in cash and cash equivalents during the year		177,169	(109,770)
Effects of foreign exchange on cash balances		132	(170)
Cash and cash equivalents – beginning of year		63,301	173,241
Cash and cash equivalents – end of year		240,602	63,301

See Note 27 for additional disclosures relating to the Consolidated Statements of Cash Flows.

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

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

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 registered office is located in Toronto, Ontario at 20 Carlson Court, Suite 800, M9W 7K6.

Aecon operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Energy, Mining and Concessions.

Refer to Note 31 "*Related Parties*", for further details on the Company's subsidiaries and significant joint arrangements and associates.

2. DATE OF AUTHORIZATION FOR ISSUE

The consolidated financial statements of the Company were authorized for issue on March 11, 2014 by the Board of Directors of the Company.

3. BASIS OF PRESENTATION

Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

Statement of compliance

These consolidated financial statements have been prepared in accordance with and comply with IFRS 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. In addition, the Company's participation in joint arrangements classified as joint operations are accounted for in the consolidated financial statements by reflecting, line by line, the Company's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations. The consolidated financial statements also include the Company's investment in and share of the earnings of projects accounted for using the equity method.

4. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, 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 value of the asset or liability affected.

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results were a different estimate or assumption used.

Estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions are subject to change at any time based on experience and new information. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Except as disclosed, there have been no material changes to critical accounting estimates related to the below mentioned items in the past two fiscal years. Critical accounting estimates are also not specific to any one segment unless otherwise noted below.

The Company's significant accounting policies are described in Note 5, "*Summary of Significant Accounting Policies*". The following discussion is intended to describe those judgements and key assumptions concerning major sources of estimation uncertainty at the end of the reporting period that have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

4.1 MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Revenue and gross profit recognition

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

The Company's estimates of contract revenue and cost are highly detailed. Management believes, based on its experience, that its current systems of management and accounting controls allow the Company to produce materially reliable estimates of total contract revenue and cost during any accounting period. However, many factors can and do change during a contract performance period, which can result in a change to contract profitability from one financial reporting period to another. Some of the factors that can change the estimate of total contract revenue and cost include differing site conditions (to the extent that contract remedies are unavailable), the availability of skilled contract labour, the performance of major material suppliers to deliver on time, the performance of major subcontractors, unusual weather conditions and the accuracy of the original bid estimate. Fixed price contracts are common across all of the Company's sectors, as are change orders and claims, and therefore these estimates are not unique to one core segment. Because the Company has many contracts in process at any given time, these changes in estimates can offset each other without impacting overall profitability. However, changes in cost estimates, which on larger, more complex construction projects can have a material impact on the Company's consolidated financial statements, are reflected in the results of operations when they become known.

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

Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that 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 the Company's accounting policy, claims are recognized in revenue only when resolution is probable. Therefore, it is possible for the Company to have substantial contract costs recognized in one accounting period with associated revenue recognized in a later period.

Given the above-noted critical accounting estimates associated with the accounting for construction contracts, including change orders and claims, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year or later could be different from the estimates and assumptions adopted and could require a material adjustment to revenue and/or the carrying amount of the asset or liability affected. The Company is unable to quantify the potential impact to the consolidated financial results from a change in estimate in calculating revenue.

Values used in the valuation of derivatives and fair valuing financial instruments

The Company is required to measure certain financial instruments at fair value, using the most readily available market comparison data and where no such data is available, using quoted market prices of similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated.

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 as the embedded derivatives within the Company's convertible debentures, involve the most significant area of fair value estimation. As explained in Note 18 "*Convertible Debentures*", some of the Company's 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 derivative is determined using the quoted market price of the convertible debentures, along with market based inputs, to fair value 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.

Further information in regard to the treatment of the Company's convertible debentures and other financial instruments, including the impact of a change in implied volatility and credit spread inputs, can be found in Note 18 "*Convertible Debentures*" and Note 28 "*Financial Instruments*".

Measurement of retirement benefit obligations

The Company's obligations and expenses related to defined benefit pension plans, including supplementary executive retirement plans, are determined using actuarial valuations and are dependent on many significant assumptions. The defined benefit obligations and benefit cost levels will change as a result of future changes in actuarial methods and assumptions, membership data, plan provisions, legislative rules, and future experience gains or losses, which have not been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to Note 20, "*Employee Benefit Plans*," for further details regarding the Company's defined benefit plans as well as the impact to the financial results of a 0.5% change in the discount rate assumption used in the calculations.

Income taxes

The Company is subject to income taxes in both Canada and several foreign jurisdictions. Significant estimates and judgements are required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, there are transactions and calculations where 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. Management estimates income taxes for each jurisdiction the Company operates in, taking into consideration different income tax rates, non-deductible expenses, valuation allowances, changes in tax laws, and management's expectations of future results. Management bases its estimates of deferred income taxes on temporary differences between the assets and liabilities reported in the Company's consolidated financial statements, and the assets and liabilities determined by the tax laws in the various countries in which the Company operates. Although the Company 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 the Company's historical income tax provisions and accruals. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Company's income tax expense and current and deferred income tax assets and liabilities in the period in which such determinations are made. 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.

The Company is unable to quantify the potential future impact to its consolidated financial results from a change in estimate in calculating income tax assets and liabilities.

Impairment of goodwill and other intangible assets

Intangible assets with finite lives are amortized over their useful lives. Goodwill, which has an indefinite life, is not amortized. Management evaluates intangible assets that are not amortized at the end of each reporting period to determine whether events and circumstances continue to support an indefinite useful life. Intangible assets with finite lives are tested for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Goodwill and intangible assets with indefinite lives, if any, are tested for impairment by applying a fair value test in the fourth quarter of each year and between annual tests if events occur or circumstances change which suggest that the goodwill or intangible assets should be evaluated.

Impairment assessments inherently involve management judgements as to the assumptions used to project these amounts and the impact of market conditions on those assumptions. The key assumptions used to estimate the fair value of reporting units under the fair value less costs to sell approach are: weighted average cost of capital used to discount the projected cash flows; cash flows generated from new work awards; and projected operating margins.

The weighted average cost of capital rates used to discount projected cash flows are developed via the capital asset pricing model, which is primarily based on market inputs. Management uses discount rates that it believes are an accurate reflection of the risks associated with the forecasted cash flows of the respective reporting units.

To develop the cash flows generated from project awards and projected operating margins, the Company tracks prospective work primarily on a project-by-project basis as well as the estimated timing of when new work will be bid or prequalified, started and completed. Management also gives consideration to its relationships with the prospective customers, the competitive landscape, changes in its business strategy, and the Company's history of success in winning new work in each reporting unit. With regard to operating margins, consideration is given to historical operating margins in the end markets where prospective work opportunities are most significant, and changes in the Company's business strategy.

Unanticipated changes in these assumptions or estimates could materially affect the determination of the fair value of a reporting unit and, therefore, could reduce or eliminate the excess of fair value over the carrying value of a reporting unit entirely and could potentially result in an impairment charge in the future.

Refer to Note 13, "*Intangible Assets*", for further details regarding goodwill as well as the impact to the financial results of a change in the assumptions used in the impairment assessment calculations.

4.2 JUDGEMENTS

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on how certain amounts are reported in the consolidated financial statements.

Basis for consolidation and classification of joint arrangements

Assessing the Company's ability to control or influence the relevant financial and operating policies of another entity may, depending on the facts and circumstances, require the exercise of significant judgement to determine whether the Company controls, jointly controls, or exercises significant influence over the entity performing the work. This assessment of control impacts how the operations of these entities are reported in the Company's consolidated financial statements (i.e. full consolidation, equity investment or proportional share).

The Company performs the majority of its construction projects through wholly owned subsidiary entities, which are fully consolidated. However, a number of projects, particularly some larger, multi-year, multi-disciplined projects, are executed through partnering agreements. As such, the classification of these entities as a subsidiary, joint operation, joint venture, associate or financial instrument requires judgment by management to analyze the various indicators that determine whether control exists. In particular, when assessing whether a joint arrangement should be classified as either a joint operation or a joint venture, management considers the contractual rights and obligations, voting shares, share of board members and the legal structure of the joint arrangement. Subject to reviewing and assessing all the facts and circumstances of each joint arrangement, joint arrangements contracted through agreements and general partnerships would generally be classified as joint operations whereas joint arrangements contracted through corporations would be classified as joint ventures. The majority of the current partnering agreements are classified as joint operations.

The application of different judgements when assessing control or the classification of joint arrangements could result in materially different presentations in the consolidated financial statements.

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 and cost-plus contracts.

Revenue recognition when the outcome of the contract can be estimated reliably

When the outcome of a construction contract 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 the 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 are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract.

Other revenue types

Revenue related to the sale of aggregates is 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 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at banks and on hand, cash in joint operations, demand deposits, and short-term highly liquid investments that are readily convertible into 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.

5.3 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.

5.4 FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

Financial Assets

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.

Financial assets at fair value through profit or loss

The Company may designate any financial asset as fair value through profit or loss on initial recognition with transaction costs recognized in profit or loss. Financial assets are also 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.

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

Loans and receivables

Loans and receivables (including trade, other receivables and long-term receivables with terms of more than one year) 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, less any impairment losses, with gains and losses recognized in profit and loss when the asset is derecognized or impaired. 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.

Held-to-maturity investments

Non-derivative financial assets (including short-term deposits classified as marketable securities) 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. 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, less any impairment losses. Impairment losses are recognized in profit and loss.

Available-for-sale financial assets

Available-for-sale financial assets (including equity shares classified as marketable securities) 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 unrealized 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 OCI is included in profit or loss.

Financial Liabilities

The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value. For trade and other payables, bank overdrafts, loans and borrowings, directly attributable transaction costs are applied against the balance of the liability. For derivative financial instruments, transaction costs are expensed in profit and loss.

After initial recognition, interest bearing loans and borrowings and, where necessary, trade payables, 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. Amortization arising from the use of the effective interest rate method is included in finance costs in the consolidated statements of income.

Convertible Debentures

The 2018 convertible debentures are accounted for as a compound financial instrument with a debt component and a separate equity component. The debt component of these compound financial instruments is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The debt component is subsequently deducted from the total carrying value of the compound instrument to derive the equity component. The debt component is subsequently measured at amortized cost using the effective interest rate method. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized through profit and loss as finance costs.

The 2014 and 2015 convertible debentures that allow for cash settlement on conversion or a combination of cash and common shares in lieu of common shares are 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. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized through profit and loss as finance costs.

The embedded derivative is subsequently measured at fair value at each reporting date with gains or losses in fair value recognized through profit or loss.

Hedging

To qualify for hedge accounting, the Company must formally designate and document a hedge relationship between a qualifying hedging instrument and a qualifying hedged item at the inception of the hedge. The Company assesses the effectiveness of the designated hedging relationships both at inception and on an ongoing basis to demonstrate the effectiveness of the hedge.

Fair value hedge: Changes of the hedging derivative are recognized in the consolidated statements of income together with any changes in the fair value of the hedged items that are attributable to the hedged risk.

Cash flow hedge/hedge of a net investment in a foreign operation: 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, 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.

5.5 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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.

5.6 IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each consolidated 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

For financial assets carried at amortized cost, 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).

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

Objective evidence of impairment of equity investments classified as available-for-sale would be a significant or prolonged decline in the fair value of the security below its cost.

Reversals of impairment in respect of equity instruments classified as available-for-sale are recognized in other comprehensive income.

For debt securities, the Company uses the criteria referred to under financial assets carried at amortized cost above.

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.

5.7 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.

5.8 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 assets under construction, are depreciated on a straight-line basis over periods that approximate the estimated useful lives of the assets as follows:

Assets	Term
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	15,000–60,000 hours
Office equipment	3 to 5 years
Vehicles	1 to 5 years

Assets under construction are not depreciated until they are brought into use, at which point they are transferred into the appropriate asset category.

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 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.

5.9 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.

5.10 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 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 segments.

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. Intangible assets under development are not amortized until put into use.

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 intangible assets 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
Acquired customer backlog	Pro rata basis as backlog revenue is worked off
Licences, software and other rights	1–10 years
Aggregate permits	Units of extraction

5.11 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. Concession arrangements relating to the New Quito Airport project are accounted for using the equity method (see Section 5.13, *"Joint Arrangements"*).

5.12 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.

5.13 JOINT ARRANGEMENTS

Under IFRS 11, "*Joint Arrangements*", a joint arrangement is a contractual arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement when the strategic, financial and operating decisions relating to the arrangement require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each party. Refer to Note 4 *"Critical Accounting Estimates"* for significant judgments affecting the classification of joint arrangements as either joint operations or joint ventures.

The parties to a joint operation have rights to the assets, and obligations for the liabilities, relating to the arrangement whereas joint ventures have rights to the net assets of the arrangement. In accordance with IFRS 11, the Company accounts for joint operations by recognizing its share of any assets held jointly and any liabilities incurred jointly, along with its share of the revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly.

Joint ventures are accounted for using the equity method of accounting in accordance with IAS 28, "*Investments in Associates and Joint Ventures*".

Under the equity method of accounting, the Company's investments in joint ventures and 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. Distributions received from an investee reduce the carrying amount of the investment. The consolidated statements of comprehensive income also include the Company's share of any amounts recognized by joint ventures and associates in OCI.

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

The financial statements of the joint ventures and 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 joint venture and/or 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 joint ventures and associates.

Transactions with joint operations

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

Where the Company purchases assets from a joint operation, the Company does not recognize its share of the profit or loss of the joint operation 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.

5.14 ASSOCIATES

Entities in which the Company has significant influence and which are neither subsidiaries, nor joint arrangements, are accounted for using the equity method of accounting in accordance with IAS 28, "*Investments in Associates and Joint Ventures*". This method of accounting is described in Section 5.13, "*Joint Arrangements*".

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 a joint arrangement.

5.15 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 consolidated balance sheet dates. The provision is discounted using a current market-based pre-tax discount rate that reflects the average life of the obligations and the risks specific to the liability. 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 at each reporting date 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.

5.16 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 consolidated balance sheets. 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.

5.17 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.

5.18 CURRENT AND DEFERRED INCOME TAXES

Current income tax is calculated on the basis of tax laws enacted or substantively enacted at the consolidated balance sheet dates 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 consolidated balance sheet dates 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 consolidated balance sheet dates.

The carrying amount of deferred income tax assets is reviewed at each consolidated 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.

5.19 DIVIDENDS

A provision is not recorded 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.

5.20 STOCK-BASED COMPENSATION

The Company has stock-based compensation plans, as described in Note 23, "*Capital Stock*". All transactions involving share-based payments 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 consolidated balance sheet date and at the date of settlement, with changes in fair value recognized in profit or loss.

5.21 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.

5.22 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.

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 consolidated statements of income are 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.

5.23 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 in 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.

5.24 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. NEW ACCOUNTING STANDARDS

The following IFRS standards became effective for the Company on January 1, 2013.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1

The amendments to IAS 1 change the disclosure of items presented in other comprehensive income. IAS 1 requires the presentation of items in other comprehensive income as two separate groups based on whether or not those items will be recycled to profit or loss in the future. The amendment affects presentation only and has no impact on the Company's financial position or results of operations.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the previous guidance in IAS 27, "*Consolidated and Separate Financial Statements*", and SIC 12, "*Consolidation: Special Purpose Entities*". IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company, and provides additional guidance to assist in the determination of control. The adoption of IFRS 10 did not impact the consolidation of any investments currently held by the Company.

IFRS 11 Joint Arrangements

IFRS 11 replaces the previous 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. This standard became effective for annual periods beginning on or after January 1, 2013, and was applied retrospectively for joint arrangements existing at the date of initial application.

Most of the Company's existing joint arrangements continue to be classified as joint operations under the new standard with no significant change in the accounting for these projects. However, some joint arrangements have been classified as joint ventures under the new standard and as a result are accounted for using the equity method instead of proportionate consolidation. While adoption of this standard did not impact the overall reported profit attributable to shareholders, IFRS 11 did impact the amounts reported for revenue and expense items, as well as amounts reported for asset and liability items. The effects of adopting this new accounting standard on the consolidated balance sheets at January 1, 2012 and December 31, 2012, the effects on the consolidated statements of income and comprehensive income for the year ended December 31, 2012 and the effects on the cash flows of the Company for the year ended December 31, 2012 are summarized in the reconciliations in Note 32 *"Reconciliation Statements"*.

The Company also adopted IFRS 12, "*Disclosure Of Interests In Other Entities*", as well as the consequential amendments to IAS 28, "*Investments In Associates And Joint Ventures*", at the same time.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 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*". These new disclosures have no impact on the Company's financial position or results of operations.

IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on measuring fair value. The standard also enhances the disclosure requirements about fair value measurements. These new disclosures have no impact on the Company's financial position or results of operations.

IAS 19 Employee Benefits (2011)

IAS 19 (2011) replaces the previous guidance in IAS 19 (2008). The amendments to IAS 19 change the recognition and measurement standards for defined benefit pension expense and termination benefits. The amendment also introduces expanded disclosure requirements. This new accounting standard was applied retrospectively.

The effects of adopting this new accounting standard are summarized in the reconciliations in Note 32 *"Reconciliation Statements"*.

7. FUTURE ACCOUNTING CHANGES

IFRS standards and interpretations that are issued, but not yet effective as at December 31, 2013, are disclosed below. The Company intends to adopt these standards, as applicable, when they become effective.

IAS 32 Financial Instruments: Presentation – Amendments to IAS 32

The amendments to IAS 32 clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The clarification is expected to have no impact on the Company's financial position or results of operations.

IAS 36 Impairment of Assets

The amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment is expected to have no impact on the Company's financial position or results of operations.

IFRIC 21 Levies

This is an interpretation of IAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The interpretation is expected to have no significant impact on the Company's financial position or results of operations.

8. TRADE AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012
	$	$
Trade receivables	305,025	419,344
Allowance for doubtful accounts	(1,933)	(1,945)
	303,092	417,399
Holdbacks receivable	194,479	190,425
Other	9,642	10,598
	204,121	201,023
Total	507,213	618,422
Amounts receivable beyond one year	69,395	55,291

At December 31, 2012, other receivables include a $600 non-interest bearing relocation loan due from an officer of the Company. This loan was repaid in full in 2013.

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

	December 31, 2013	December 31, 2012
	$	$
Balance – beginning of the year	(1,945)	(1,627)
Additional amounts provided for during the year	(397)	(1,564)
Trade receivables written off during the year	252	35
Amounts recovered	157	1,211
Balance – end of year	(1,933)	(1,945)

9. 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, 2013	December 31, 2012
	$	$
Earned revenue on projects to date	6,671,681	6,961,921
Less: Billings on projects to date	6,475,590	6,789,280
Net consolidated balance sheet position	196,091	172,641
Reported as:		
Unbilled revenue	325,946	317,062
Deferred revenue	(129,855)	(144,421)
	196,091	172,641

10. INVENTORIES

	December 31, 2013	December 31, 2012
	$	$
Raw materials and supplies	7,075	8,340
Finished goods	21,628	22,678
	28,703	31,018

11. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD

The Company performs some construction and concession related projects through non-consolidated entities. The Company's participation in these entities is conducted through joint ventures and associates and is accounted for using the equity method. The Company's joint ventures and associates are private entities and there is no quoted market price available for their shares.

The summarized financial information below reflects the Company's share of the amounts presented in the financial statements of the joint ventures and associates:

	December 31, 2013			December 31, 2012		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
	$	$	$	$	$	$
Cash and cash equivalents	2,930	12,972	15,902	3,616	10,826	14,442
Other current assets	117,898	23,775	141,673	80,627	20,836	101,463
Total current assets	120,828	36,747	157,575	84,243	31,662	115,905
Non-current assets	386,899	1,247	388,146	353,730	3,569	357,299
Total assets	507,727	37,994	545,721	437,973	35,231	473,204
Trade and other payables and provisions	22,464	8,860	31,324	35,928	7,860	43,788
Other current financial liabilities	15,142	43	15,185	11,926	–	11,926
Total current liabilities	37,606	8,903	46,509	47,854	7,860	55,714
Non-current financial liabilities	193,847	–	193,847	156,041	–	156,041
Other non-current liabilities	72,898	–	72,898	70,526	–	70,526
Total non-current liabilities	266,745	–	266,745	226,567	–	226,567
Total liabilities	304,351	8,903	313,254	274,421	7,860	282,281
Net assets	203,376	29,091	232,467	163,552	27,371	190,923

	For the year ended					
	December 31, 2013			December 31, 2012		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
	$	$	$	$	$	$
Revenue	82,026	100,041	182,067	58,791	100,031	158,822
Depreciation and amortization	(11,195)	–	(11,195)	(2,922)	–	(2,922)
Other costs	(34,469)	(86,319)	(120,788)	(22,699)	(85,600)	(108,299)
Operating profit	36,362	13,722	50,084	33,170	14,431	47,601
Finance income (expense)	(10,150)	–	(10,150)	13	–	13
Income tax recovery (expense)	(428)	–	(428)	11,029	–	11,029
Non-controlling interest	(1,654)	–	(1,654)	(2,963)	–	(2,963)
Profit for the period	24,130	13,722	37,852	41,249	14,431	55,680
Other comprehensive income (loss)	11,406	–	11,406	(2,075)	–	(2,075)
Total comprehensive income	35,536	13,722	49,258	39,174	14,431	53,605

The movement in the investment in projects accounted for using the equity method is as follows:

	December 31, 2013	December 31, 2012
	$	$
Projects accounted for using the equity method – beginning of year	190,923	120,513
Share of profit for the year	37,852	55,680
Share of other comprehensive income (loss) for the year	11,406	(2,075)
Advances to (distributions from) projects accounted for using the equity method	(7,714)	16,805
Projects accounted for using the equity method – end of year	232,467	190,923

12. PROPERTY, PLANT AND EQUIPMENT

Cost	Land $	Buildings and leasehold improvements $	Aggregate properties $	Machinery and construction equipment $	Office equipment, furniture and fixtures, and computer hardware $	Vehicles $	Heavy equipment $	Total $
Balance as at January 1, 2013	33,572	78,795	54,058	233,217	31,200	65,633	241,765	738,240
Additions	499	10,717	50	35,416	4,694	9,095	12,961	73,432
Disposals	–	(862)	(840)	(23,694)	(6,827)	(10,843)	(1,318)	(44,384)
Foreign currency translation adjustments	–	35	–	–	16	9	–	60
Balance as at December 31, 2013	34,071	88,685	53,268	244,939	29,083	63,894	253,408	767,348
Accumulated depreciation and impairment								
Balance as at January 1, 2013	–	25,937	12,191	101,393	20,350	43,033	26,783	229,687
Depreciation	–	4,958	801	24,304	4,753	9,031	16,384	60,231
Disposals	–	(812)	(666)	(16,608)	(6,591)	(9,767)	(433)	(34,877)
Foreign currency translation adjustments	–	21	–	–	19	10	–	50
Balance as at December 31, 2013	–	30,104	12,326	109,089	18,531	42,307	42,734	255,091
Net book value as at December 31, 2013	**34,071**	**58,581**	**40,942**	**135,850**	**10,552**	**21,587**	**210,674**	**512,257**
Net book value as at January 1, 2013	**33,572**	**52,858**	**41,867**	**131,824**	**10,850**	**22,600**	**214,982**	**508,553**
Net book value of assets under finance lease as at December 31, 2013	**–**	**–**	**75**	**54,560**	**1,896**	**19,145**	**17,131**	**92,807**

Cost	Land $	Buildings and leasehold improvements $	Aggregate properties $	Machinery and construction equipment $	Office equipment, furniture and fixtures, and computer hardware $	Vehicles $	Heavy equipment $	Total $
Balance as at January 1, 2012	31,739	71,492	51,603	203,290	28,134	65,912	216,861	669,031
Additions	1,833	7,412	2,490	35,672	5,153	7,885	26,056	86,501
Disposals	–	(102)	(35)	(5,745)	(2,084)	(8,162)	(1,152)	(17,280)
Foreign currency translation adjustments	–	(7)	–	–	(3)	(2)	–	(12)
Balance as at December 31, 2012	33,572	78,795	54,058	233,217	31,200	65,633	241,765	738,240
Accumulated depreciation and impairment								
Balance as at January 1, 2012	–	21,167	11,477	84,519	17,534	40,976	11,325	186,998
Depreciation	–	4,865	714	20,192	4,837	9,580	15,851	56,039
Disposals	–	(92)	–	(3,318)	(2,018)	(7,521)	(393)	(13,342)
Foreign currency translation adjustments	–	(3)	–	–	(3)	(2)	–	(8)
Balance as at December 31, 2012	–	25,937	12,191	101,393	20,350	43,033	26,783	229,687
Net book value as at December 31, 2012	**33,572**	**52,858**	**41,867**	**131,824**	**10,850**	**22,600**	**214,982**	**508,553**
Net book value as at January 1, 2012	**31,739**	**50,325**	**40,126**	**118,771**	**10,600**	**24,936**	**205,536**	**482,033**
Net book value of assets under finance lease as at December 31, 2012	**–**	**–**	**115**	**48,922**	**3,998**	**19,854**	**16,866**	**89,755**

13. INTANGIBLE ASSETS

	Goodwill	Acquired customer backlog	Licenses, software and other rights [a]	Total
Cost	$	$	$	$
Balance as at January 1, 2013	53,783	25,631	18,092	97,506
Additions	–	–	13,556	13,556
Disposals	–	–	(4,175)	(4,175)
Foreign currency translation adjustments and other changes	–	–	15	15
Balance as at December 31, 2013	**53,783**	**25,631**	**27,488**	**106,902**
Accumulated amortization and impairment				
Balance as at January 1, 2013	–	25,631	10,555	36,186
Amortization	–	–	2,793	2,793
Disposals	–	–	(3,852)	(3,852)
Foreign currency translation adjustments and other changes	–	–	15	15
Balance as at December 31, 2013	**–**	**25,631**	**9,511**	**35,142**
Net book value as at December 31, 2013	**53,783**	**–**	**17,977**	**71,760**
Net book value as at January 1, 2013	**53,783**	**–**	**7,537**	**61,320**

	Goodwill	Acquired customer backlog	Licenses, software and other rights [a]	Total
Cost	$	$	$	$
Balance as at January 1, 2012	53,783	25,631	16,420	95,834
Additions	–	–	2,159	2,159
Disposals	–	–	(490)	(490)
Foreign currency translation adjustments and other changes	–	–	3	3
Balance as at December 31, 2012	**53,783**	**25,631**	**18,092**	**97,506**
Accumulated amortization and impairment				
Balance as at January 1, 2012	–	24,273	7,797	32,070
Amortization	–	1,358	3,243	4,601
Disposals	–	–	(490)	(490)
Foreign currency translation adjustments and other changes	–	–	5	5
Balance as at December 31, 2012	**–**	**25,631**	**10,555**	**36,186**
Net book value as at December 31, 2012	**53,783**	**–**	**7,537**	**61,320**
Net book value as at January 1, 2012	**53,783**	**1,358**	**8,623**	**63,764**

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

(a) Included in *Licences, software and other rights* are assets under development of $11,486.

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, 2013	December 31, 2012
	$	$
Cash-Generating Unit:		
Social Infrastructure – Mechanical Contracting	17,192	17,192
Transportation	14,063	14,063
Industrial West	9,879	9,879
Other	12,649	12,649
	53,783	53,783

The recoverable amounts of the above listed CGUs were determined based on fair value less costs to sell calculations. Fair value less costs to sell calculations use post-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, 2013 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, 2013 was 9% based on the Company's post-tax weighted average cost of capital. Detailed sensitivity analyses were conducted to assess the impact of changes in growth rates, costs of capital and cash flows on the recoverable amount, which has not indicated that the carrying amount of the CGU exceeds the recoverable amount. Budgeted cash flows were determined by management based on the Company's past performance, backlog currently on hand and future growth prospects. The fair value measurement is categorized as Level 3 in the fair value hierarchy in accordance with IFRS 13 *"Fair Value Measurement"* as described in Note 28.

14. BANK INDEBTEDNESS

Bank indebtedness, representing borrowings on the Company's operating line of credit, as at December 31, 2013 was $nil (December 31, 2012 – $10,368). The Company maintains a committed revolving credit facility of $300,000. Letters of credit amounting to $62,335 were issued against the credit facility as at December 31, 2013 ($54,952 – December 31, 2012). Cash drawings under the facility bear interest at rates ranging from prime plus 0.10% to prime plus 0.35% per annum.

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.

The Company also maintains two additional letter of credit facilities (a $250,000 domestic facility, up from $150,000 as at December 31, 2012, and a US$15,000 international facility) provided by Export Development Canada of which $116,756 was utilized as at December 31, 2013.

15. TRADE AND OTHER PAYABLES

	December 31, 2013	December 31, 2012
	$	$
Trade payables and accrued liabilities	477,230	519,404
Holdbacks payable	79,936	83,840
	557,166	603,244
Amounts payable beyond one year	9,263	4,909

16. PROVISIONS

	Contract related obligations (a)	Asset decommissioning costs (b)	Tax assessments (c)	Other	Total
	$	$	$	$	$
Balance as at January 1, 2013	7,393	2,665	4,243	44	14,345
Amounts used	(1,694)	(520)	–	(233)	(2,447)
Additions made	2,647	414	–	379	3,440
Unused amounts reversed	(1,031)	–	–	–	(1,031)
Other changes	141	99	–	1	241
Balance as at December 31, 2013	**7,456**	**2,658**	**4,243**	**191**	**14,548**
Reported as:					
Current	**4,393**	**–**	**4,243**	**191**	**8,827**
Non-current	**3,063**	**2,658**	**–**	**–**	**5,721**
	7,456	**2,658**	**4,243**	**191**	**14,548**

(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.

(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 2014 and 2108 at which point the amount of the liability will reverse. A 2% inflation factor has been applied to obtain the future value of the decommissioning costs, which has been discounted at a rate of 5.6% to obtain the present value of the obligation.

(c) Tax assessments include provisions for specific income tax exposures faced by the Company. Although final federal and provincial reassessments have not yet been issued, the Company believes that it has adequate provisions to cover the ultimate outcome of this and other tax reassessments.

17. LONG-TERM DEBT

	December 31, 2013	December 31, 2012
	$	$
Long-term debt:		
Finance leases	93,542	96,477
Equipment and other loans	97,476	111,470
Total long-term debt	191,018	207,947
Reported as:		
Current liabilities:		
Long-term debt	67,890	61,899
Non-current liabilities:		
Long-term debt	123,128	146,048
	191,018	207,947

The following describes the components of long-term debt:

(a) At December 31, 2013, finance leases of $93,542 (2012 – $96,477) bore interest at fixed and floating rates averaging 4.43% (2012 – 4.71%) per annum, with specific equipment provided as security.

(b) At December 31, 2013, equipment and other loans of $97,476 (2012 – $111,470) bore interest at fixed and floating rates averaging 4.74% (2012 – 5.09%) per annum, with specific equipment provided as security.

The weighted average interest rate on total long-term debt outstanding (excluding convertible debentures) at December 31, 2013 was 4.59% (2012 – 4.91%).

18. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	December 31, 2013	December 31, 2012
	$	$
Debt component:		
Debenture maturing on September 30, 2014	168,821	164,559
Debenture maturing on October 31, 2015	88,837	87,041
Debenture maturing on December 31, 2018	153,402	–
	411,060	251,600
Embedded derivative component:		
Debenture maturing on September 30, 2014	4,761	530
Debenture maturing on October 31, 2015	6,578	1,059
	11,339	1,589
Total convertible debentures	422,399	253,189
Reported as:		
Current liabilities		
Convertible debentures	173,582	–
Non-current liabilities:		
Convertible debentures	248,817	253,189
	422,399	253,189

	December 31, 2013	December 31, 2012
	$	$
Equity component:		
Debenture maturing on December 31, 2018	8,674	–

On November 27, 2013, October 8, 2010 and September 29, 2009, the Company issued $172,500, $92,000 and $172,500, respectively, of unsecured subordinated convertible debentures maturing December 31, 2018, October 31, 2015 and September 30, 2014, respectively. The 2018, 2015 and 2014 convertible debentures bear interest at rates of 5.50%, 6.25% and 7.0% per annum, respectively, payable on a semi-annual basis. At the holder's option, the 2018, 2015 and 2014 convertible debentures may be converted into common shares of the Company at any time up to the maturity dates at a conversion price of $20.00, $19.00 and $19.00, respectively, for each common share, subject to adjustment in certain circumstances. The 2018, 2015 and 2014 convertible debentures will not be redeemable before December 31, 2016, October 31, 2013 and September 30, 2012, respectively. The Company may, at its option, redeem the 2015 and 2014 convertible debentures through to the maturity dates, and the 2018 convertible debentures from December 31, 2016 to December 31, 2017, 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. From December 31, 2017 through to the maturity date, the Company, at its option, may redeem the 2018 convertible debentures, in whole or in part, at par plus accrued and unpaid interest. At December 31, 2013, the face values of the 2018, 2015 and 2014 convertible debentures, which remain outstanding, were $172,500, $92,000 and $172,500, respectively.

For the 2018, 2015 and 2014 convertible debentures, 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.

For the 2015 and 2014 convertible debentures only, 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. Due to this cash settlement feature under IAS 32, "*Financial Instruments: Presentation*", these convertible debentures are 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.

The 2018 convertible debentures do not contain a cash settlement feature on conversion. The debt component of the 2018 convertible debenture is measured at fair value on initial recognition. To determine the initial amount of the respective debt and equity components of the 2018 convertible debentures issued during 2013, the carrying amount of the financial liability was first calculated by discounting the stream of future principal and interest payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The debt component was then deducted from the total carrying amount of the compound instrument to derive the equity component. The debt component was assigned a value of $160,698 (less transaction costs of $7,600) and the equity component was assigned a value of $11,802 (less income taxes of $3,128). The debt component is subsequently accounted for at amortized cost using the effective interest rate method.

Interest expense on the debentures is composed of the interest calculated on the face value of the debentures and notional interest representing the accretion of the carrying value of the debentures.

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

	December 31, 2013	December 31, 2012
	$	$
Interest expense on face value	(18,616)	(17,825)
Notional interest representing accretion	(6,362)	(6,020)
Fair value gain (loss) on convertible debentures	(9,750)	4,260
	(34,728)	(19,585)

As at December 31, 2013, the convertible debentures have an estimated fair value of $446,354 (December 31, 2012 – $274,857).

19. INCOME TAXES

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

	December 31, 2013	December 31, 2012
	$	$
Profit before income taxes	49,170	94,441
Statutory income tax rate	25.75%	25.75%
Expected income tax expense	(12,661)	(24,319)
Effect on income taxes of:		
Projects accounted for under equity method	6,070	10,619
Impact of change in enacted tax rates on deferred tax balances	331	1,078
Provincial and foreign rate differences	(831)	(5,156)
Reversal of prior period tax provisions	–	(674)
Non-deductible notional interest	(1,030)	(1,017)
Non-deductible stock-based compensation expenses	(174)	(326)
Other non-deductible expenses	(717)	(767)
Reversal of prior year non-deductible interest	–	1,511
Recovery on settlement of prior year tax reassessment	–	2,900
Other	440	(694)
	4,089	7,474
Income tax expense	(8,572)	(16,845)

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

Income tax expense:

	December 31, 2013	December 31, 2012
	$	$
Current tax on profits for the year	(645)	(8,939)
Adjustments in respect of prior years	(3,991)	(632)
Reversal of prior period tax provision	–	3,030
Recovery on settlement of prior year tax reassessment	–	2,900
Total current tax	(4,636)	(3,641)
Origination and reversal of temporary differences	(4,267)	(10,578)
Reversal of prior period tax provision	–	(3,704)
Impact of change in enacted tax rates on deferred tax balances	331	1,078
Total deferred tax	(3,936)	(13,204)
Income tax expense	(8,572)	(16,845)

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

	2013					2012				
	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	82,846	(2,183)	–	–	80,663	73,555	9,291	–	–	82,846
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	4,856	290	–	–	5,146	2,395	2,461	–	–	4,856
Actuarial gains and losses	3,275	–	(669)	–	2,606	3,065	128	82	–	3,275
Offset in deferred tax liabilities	(56,779)	10,898	–	–	(45,881)	(47,120)	(9,659)	–	–	(56,779)
Total Canadian deferred income tax assets	**34,198**	**9,005**	**(669)**	**–**	**42,534**	**31,895**	**2,221**	**82**	**–**	**34,198**
Deferred tax liabilities										
Canadian components:										
Property, plant and equipment: net book value in excess of tax basis	(36,908)	(3,655)	–	–	(40,563)	(30,139)	(6,769)	–	–	(36,908)
Long-term contracts, including joint ventures(1)	(73,783)	(1,416)	–	–	(75,199)	(59,834)	(13,949)	–	–	(73,783)
Other temporary differences	(3,836)	(2,102)	–	–	(5,938)	(483)	(3,353)	–	–	(3,836)
Other long-term differences	(5,178)	2,506	–	–	(2,672)	(4,327)	(851)	–	–	(5,178)
Convertible debentures	(4,085)	2,584	–	–	(1,501)	(2,828)	(1,257)	–	–	(4,085)
Discounting convertible debentures	–	–	(3,127)	–	(3,127)	–	–	–	–	–
Offset in deferred tax assets	56,779	(10,898)	–	–	45,881	47,120	9,659	–	–	56,779
Total Canadian deferred income tax liabilities	(67,011)	(12,981)	(3,127)	–	(83,119)	(50,491)	(16,520)	–	–	(67,011)
Foreign components:										
Long-term contracts, including joint ventures	(40)	40	–	–	–	(1,149)	1,096	–	13(2)	(40)
Total deferred income tax liabilities	**(67,051)**	**(12,941)**	**(3,127)**	**–**	**(83,119)**	**(51,640)**	**(15,424)**	**–**	**13**	**(67,051)**
Total deferred income tax liabilities, net	**(32,853)**	**(3,936)**	**(3,796)**	**–**	**(40,585)**	**(19,745)**	**(13,203)**	**82**	**13**	**(32,853)**

(1) Results from the difference between the use of the percentage of completion method of reporting for consolidated financial statement purposes and use of the uncompleted contracts and billings less costs, excluding contractual holdbacks, for tax purposes.

(2) 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 16).

20. 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 sheets.

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

	December 31, 2013	December 31, 2012
	$	$
Change in fair value of plan assets:		
Fair value of plan assets – beginning of year	38,954	36,038
Return on plan assets greater than discount rate	1,550	1,532
Net interest income	1,417	1,532
Plan administration costs	(64)	(139)
Company contributions	1,784	2,482
Plan participant contributions	107	123
Benefits paid	(4,218)	(2,614)
Fair value of plan assets – end of year	39,530	38,954
Change in benefit obligation:		
Benefit obligation – beginning of year	46,560	44,575
Current service cost	859	774
Actuarial loss due to actuarial experience	(228)	(241)
Actuarial gain (loss) due to financial assumption changes	(3,214)	2,103
Actuarial gain due to demographic assumption changes	2,318	–
Net interest cost	1,666	1,840
Benefits paid	(4,218)	(2,614)
Plan participant contributions	107	123
Benefit obligation – end of year	43,850	46,560
Funded status:		
Fair value of plan assets	39,530	38,954
Defined benefit obligation	(43,850)	(46,560)
Pension liabilities at December 31	(4,320)	(7,606)

	2013	2012
Weighted average assumptions used to calculate benefit obligation:		
Discount rate	4.50%	3.75%
Rate of increase in future compensation	3.00%	3.00%
Asset categories of pension assets:		
Debt securities	39.15%	36.00%
Equity securities	34.50%	53.65%
Cash and short-term notes	26.35%	10.35%

	December 31, 2013	December 31, 2012
	$	$
Defined benefit pension expense:		
Current service cost, net of employee contributions	859	774
Net interest cost	250	308
Plan administration costs	64	139
Defined benefit pension expense recognized in profit or loss	1,173	1,221
Actuarial (gain) loss recognized in other comprehensive income	(2,675)	330
Defined benefit pension (income) expense	(1,502)	1,551
Other pension expense:		
Defined contribution pension expense	5,506	5,163
Multi-employer pension plan expense	68,832	60,531
Other pension expense	74,338	65,694
Weighted average assumptions used to calculate defined benefit pension expense:		
Discount rate	4.50%	4.25%
Rate of increase in future compensation	3.00%	3.00%

During 2014, the Company expects to make contributions of $1,664 to the defined benefit plans.

	December 31, 2013	December 31, 2012
	$	$
Total cash contribution for employee pension plans:		
Defined benefit plans	1,784	2,482
Defined contribution plans	5,506	5,163
Multi-employer pension plans	68,832	60,531
	76,122	68,176

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. A significant actuarial and accounting assumption impacting the reporting of pension plans is the discount rate assumption. As at December 31, 2013, the Company used a discount rate of 4.5% in its pension plan calculations for consolidated financial statement purposes. The impact of a 0.5% decrease in the discount rate assumption would have resulted in an increase in the pension benefit obligation of approximately $2,339 at December 31, 2013 and an increase in the estimated 2014 pension expense of approximately $29.

The weighted average duration of the defined benefit obligation is 10.3 years.

21. CONTINGENCIES

The Company is involved in various disputes and litigation both as plaintiff and defendant. In the opinion of management, the resolution of disputes against the Company, including those provided for (see Note 16), will not result in a material effect on the consolidated financial position of the Company.

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

GUARANTEES AND LETTERS OF CREDIT	PROJECT	DECEMBER 31, 2013	DECEMBER 31, 2012
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	$99,581	$122,779
Letters of credit:			
In support of various project contingencies	Quito Airport Project	$29,275	$32,785
Financial and performance – issued in the normal conduct of business	Various	$175,706	$179,525

Under the terms of many of the Company's associate and joint arrangement contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. As at December 31, 2013, the value of uncompleted work for which the Company's associate and joint arrangement partners are responsible, and which the Company could be responsible for assuming, amounted to approximately $1,600,628 (December 31, 2012 –$2,252,847), 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 respective associate or joint arrangement contract.

22. 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, 2013
	$
Due within one year	14,234
Due beyond one and up to five years	22,311
Due beyond five years	4,906
	41,451

In 2013, minimum lease payments recognized as an operating lease expense were $10,945 (2012 – $18,318).

23. CAPITAL STOCK

	December 31, 2013		December 31, 2012	
	Number	Amount $	Number	Amount $
Number of common shares outstanding – beginning of year	**53,011,452**	**287,571**	**53,300,487**	**291,633**
Common shares issued on exercise of options	368,335	5,387	–	–
Common shares purchased by the Trust of the long-term incentive plan ("LTIP")	(799,506)	(10,169)	(674,191)	(8,435)
Transfers by the Trust to settle LTIP obligations	287,726	3,958	385,156	4,373
Number of common shares outstanding – end of year	**52,868,007**	**286,747**	**53,011,452**	**287,571**

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, 2013 is 56,180,484 (December 31, 2012 – 55,812,149).

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 share option issuance under the 2005 Stock Option Plan specifies the period during which the share option thereunder is exercisable (which in no event shall exceed ten years from the date of grant) and the date that the share option will expire. The Company's Board of Directors determines the vesting period on the dates of share option grants. The exercise price of share option grants equals the market price of the common shares on the grant date. The Company issues common shares on exercise of the options.

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

	December 31, 2013		December 31, 2012	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		$		$
Balance outstanding – beginning of year	1,910,000	12.90	1,750,000	13.02
Granted	210,000	11.92	210,000	12.35
Forfeited/expired	(983,333)	14.77	(50,000)	14.95
Exercised	(368,335)	10.72	–	–
Balance outstanding – end of year	768,332	11.27	1,910,000	12.90
Options exercisable – end of year	735,000	11.35	1,793,334	13.08

Share options outstanding as at December 31, 2013 had the following exercise prices and expiry dates:

Share options granted in	Number of shares	Exercise price	Expiry date
		$	
2009	50,000	9.12	March 4, 2014
2009	100,000	11.29	May 14, 2014
2010	25,000	12.30	November 2, 2015
2011	173,332	9.66	March 11, 2016
2012	140,000	12.95	March 7, 2017
2012	20,000	12.95	June 10, 2015
2012	50,000	10.41	December 8, 2017
2013	210,000	11.92	March 14, 2018
	768,332	11.27	

Unless subsequently modified, 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 share options granted to employees and records compensation expense upon issuance of the share options under its stock option plan. For options granted during the year ended December 31, 2013 and 2012, the fair value was estimated on the date of grant using the Black-Scholes fair value option pricing model using the following assumptions:

	December 31, 2013	December 31, 2012
Weighted average fair value per share option	$ 2.66	$ 2.48 – 5.15
Expected volatility[1]	31.26%	33.4 – 53.4%
Dividend yield	2.68%	2.16 – 2.69%
Risk-free interest rate	1.68%	1.57 – 1.67%
Weighted average expected life in years	5	5

(1) Expected volatility was determined using historical volatility.

The resulting fair value is charged to expense over the vesting period of the share 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 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 2013, the Company recorded LTIP compensation charges of $8,500 (2012 – $7,450).

The LTIP Trust (the "Trust") held 3,312,477 shares at December 31, 2013 (2012 – 2,800,697 shares). The Company has determined it holds a beneficial interest in the activities of the Trust that requires consolidation by the Company in accordance with IFRS 10 "*Consolidated Financial Statements*". Accordingly, at December 31, 2013, share capital was reduced by $36,595 (2012 – $30,384) and accrued liabilities increased by the same amount.

24. EXPENSES

Expenses for the year ended were as follows:

	December 31, 2013	December 31, 2012
	$	$
Personnel	1,296,494	1,115,251
Subcontractors	891,452	798,476
Materials	440,209	377,804
Equipment costs	309,356	426,060
Depreciation of property, plant and equipment and amortization of intangible assets	63,024	60,640
Other expenses	8,627	48,300
Total expenses	3,009,162	2,826,531

Reported as:

	December 31, 2013	December 31, 2012
	$	$
Direct costs and expenses	2,798,134	2,608,184
Marketing, general and administrative expenses	148,004	157,707
Depreciation and amortization	63,024	60,640
Total expenses	3,009,162	2,826,531

25. FINANCE COSTS

Finance costs for the year ended were as follows:

	December 31, 2013	December 31, 2012
	$	$
Interest on long-term debt and debentures	29,494	20,530
Interest on finance leases	5,969	5,432
Interest on short-term debt	4,588	3,127
Notional interest on provisions	238	168
Total finance costs	40,289	29,257

26. EARNINGS PER SHARE

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

	December 31, 2013	December 31, 2012
	$	$
Profit attributable to shareholders	40,598	77,596
Interest on convertible debentures, net of tax [1]	19,315	18,524
Fair value loss (gain) on convertible debentures, net of tax	7,167	(3,141)
Diluted net earnings	67,080	92,979
Average number of common shares outstanding	52,669,297	52,976,520
Effect of dilutive securities:[1]		
Options	97,377	88,476
Convertible debentures[1]	22,781,043	23,099,465
Shares held in trust account in respect of long-term incentive plan	3,312,477	2,800,697
Weighted average number of diluted common shares outstanding	78,860,194	78,965,158
Basic earnings per share	0.77	1.46
Diluted earnings per share [1]	0.72	1.18

(1) When the impact of dilutive securities increases the earnings per share or decreases the loss per share, they are excluded for purposes of the calculation of diluted earnings (loss) per share.

27. SUPPLEMENTARY CASH FLOW INFORMATION

Change in other balances relating to operations

	December 31, 2013	December 31, 2012
	$	$
Decrease (increase) in:		
Trade and other receivables	111,132	(99,037)
Unbilled revenue	(8,299)	(72,271)
Inventories	2,315	(519)
Prepaid expenses	3,949	(1,764)
(Decrease) increase in:		
Trade and other payables	(41,888)	97,216
Provisions	(2,447)	(9,620)
Deferred revenue	(14,624)	50,803
	50,138	(35,192)

Cash flows from interest

	December 31, 2013	December 31, 2012
	$	$
Operating activities		
Cash interest paid	(31,826)	(35,067)
Cash interest received	751	139

	December 31, 2013	December 31, 2012
	$	$
Non-cash transactions		
Property, plant and equipment acquired and financed by finance leases	27,707	35,510

28. 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. As at December 31, 2013, the Company had outstanding contracts to buy €110, sell US$4,870 and buy US$455 (December 31, 2012 – sell US$259 and buy US$3,622) on which there was a net unrealized exchange loss of $98 (December 31, 2012 – net gain of $21). The net unrealized exchange gain or 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 in the consolidated statements of income.

IFRS 13 "*Fair Value Measurement*" 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, 2013			
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Financial assets (liabilities) measured at fair value:				
Convertible debentures – embedded derivatives	(11,339)	–	–	(11,339)
Financial assets (liabilities) disclosed at fair value:				
Current portion of long-term debt	(73,885)	–	(73,885)	–
Long-term debt	(118,450)	–	(118,450)	–
Convertible debentures	(458,846)	(458,846)	–	–

As explained in Note 18, the 2015 and 2014 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 25.22% and 24.73%, respectively, and a credit spread of 5.52% and 4.58%, respectively. A 1% change in the implied volatility factor would have changed the fair value of the embedded derivative by $711 and a 1% change in the credit spread factor would have changed the fair value of the embedded derivative by $2,083.

Changes in the fair value of Level 3 financial instruments are as follows:

	December 31, 2013
	$
Convertible debentures – embedded derivatives – opening balance	(1,589)
Net loss recognized in income during the year	(9,750)
Convertible debentures – embedded derivatives – ending balance	**(11,339)**

During the year ended December 31, 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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 and by placing a limit on the amount that can be invested with any single financial institution.

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.

As at December 31, 2013, the Company had $119,268 in trade receivables that were past due. Of this amount, $62,214 was over 60 days past due, against which the Company has recorded an allowance for doubtful accounts of $1,933.

Liquidity risk

Liquidity risk is the risk that 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.

Contractual maturities for financial liabilities at December 31, 2013 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	547,903	10,911	–	558,814	(1,648)	557,166
Finance leases	34,201	65,929	394	100,524	(6,982)	93,542
Equipment and other loans	41,433	60,103	3,108	104,644	(7,168)	97,476
	75,634	126,032	3,502	205,168	(14,150)	191,018
Convertible debentures	172,500	264,500	–	437,000	(14,601)	422,399
Long-term financial liabilities	248,134	390,532	3,502	642,168	(28,751)	613,417

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, 2013, the interest rate profile of the Company's long-term debt was as follows:

Fixed rate instruments	$	185,811
Variable rate instruments		5,207
Total long-term debt	$	191,018
Fixed rate convertible debentures	$	422,399

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, 2013, a 1% increase or a 1% decrease in interest rates applied to the Company's variable rate long-term debt would not have a significant impact on net earnings or comprehensive income.

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 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 investments 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 in the US dollar against the Canadian dollar as at December 31, 2013 would have been a change in comprehensive income of approximately $18,000.

The Company's sensitivity to a 10% change in the US dollar against the Canadian dollar as at December 31, 2013 to profit or loss for currency exposures other than those discussed above would be $338. 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	Held to maturity	Loans and receivables	Amortized cost	Total carrying amount	Total fair value
	$	$	$	$	$	$
Cash and cash equivalents	–	–	240,602	–	240,602	240,602
Restricted cash	–	–	3,934	–	3,934	3,934
Trade and other receivables	–	–	507,213	–	507,213	507,213
Unbilled revenue	–	–	325,946	–	325,946	325,946
Long-term financial assets	–	3,047	1,933	–	4,980	4,980
	–	3,047	1,079,628	–	1,082,675	1,082,675
Trade and other payables	–	–	–	557,166	557,166	557,166
Current portion of long-term debt	–	–	–	67,890	67,890	73,885
Long-term debt	–	–	–	123,128	123,128	118,450
Convertible debentures	11,339	–	–	411,060	422,399	458,846
	11,339	–	–	1,159,244	1,170,583	1,208,347

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 valued them to reflect the time value of money and the credit risk or the borrowing risk associated with these financial instruments.

The fair value of long-term debt is derived by discounting the remaining principal and interest payments at interest rates reflective of the Company's current cost of borrowing for similar debt. These interest rates were calculated by using the Canadian interest rate swap yield at period end and adjusting for the credit spread that reflects the Company's cost of secured credit. The fair value of the convertible debentures was obtained from quoted prices observable on the Toronto Stock Exchange.

Convertible debentures are discussed further in Note 18.

29. CAPITAL DISCLOSURES

For capital management purposes, the Company defines capital as the aggregate of its shareholders' equity and debt. Debt includes 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 and drawings on the Company's credit facility presented as bank indebtedness) 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. As at December 31, 2013, the debt to capitalization percentage including convertible debentures as debt was 51% (December 31, 2012 – 46%). 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 16% as at December 31, 2013 (December 31, 2012 – 21%). While the Company believes this debt to capitalization percentage is acceptable, because of the cyclical nature of its business, the Company will continue its current efforts to maintain a conservative capital position.

As at December 31, 2013, the Company complied with all of its financial debt covenants.

30. OPERATING SEGMENTS

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

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

Commencing in 2013, the Company's operating units were organized into these four segments to align with Aecon's new operating management structure, and to build on the "One Aecon" business strategy to capitalize on and combine the strengths and synergies of the Aecon Group around key end market sectors. Prior year's comparative figures have been restated to conform to the presentation adopted in the current year.

The **Infrastructure segment** includes all aspects of the construction of both public and private infrastructure, primarily in Canada and on a selected basis, internationally. The Infrastructure segment focuses primarily on the transportation, heavy civil and social infrastructure sectors.

The **Energy segment** encompasses a full suite of service offerings to the energy sector including industrial construction and manufacturing activities such as in-plant construction, site construction and module assembly. The activities of the Energy segment are concentrated predominantly in Canada. However, Aecon's subsidiary, Innovative Steam Technologies Inc. ("IST"), markets and sells "once-through" heat recovery steam generators and enhanced oil recovery boilers throughout the world. The Energy segment focuses primarily on oil and gas, power generation, utilities, and energy support services sectors.

The **Mining segment** offers turn-key services consolidating Aecon's mining capabilities and services across Canada, including both mine site installations and contract mining. This segment focuses on delivering construction services that span the scope of a project's life cycle from overburden removal and resource extraction to processing and environmental reclamation.

Activities within the **Concessions segment** include the development, financing, design, construction and operation of infrastructure projects such as toll roads, airports, and transit systems, by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures.

	Infrastructure	Energy	Mining	Concessions	Other costs and eliminations	Total
						For the year ended December 31, 2013
	$	$	$	$	$	$
Consolidated Statement of Income						
External customer revenue	975,888	1,383,933	705,776	3,011	–	3,068,608
Inter-segment revenue	24,064	12,449	–	–	(36,513)	–
Total revenue	999,952	1,396,382	705,776	3,011	(36,513)	3,068,608
Which includes:						
Construction revenue	999,952	1,396,382	705,776	–	(36,513)	3,065,597
Concession revenue	–	–	–	3,011	–	3,011
Expenses	(1,025,188)	(1,314,493)	(662,710)	(10,364)	3,593	(3,009,162)
Which include:						
Depreciation and amortization	(17,041)	(13,999)	(25,177)	(81)	(6,726)	(63,024)
Other income (loss):						
Foreign exchange gains (losses)	(24)	186	80	340	(209)	373
Gain (loss) on sale of property, plant and equipment	297	645	(1,319)	–	(38)	(415)
Income from projects accounted for using the equity method	6,727	1,372	6,177	23,576	–	37,852
Operating profit (loss)	(18,236)	84,092	48,004	16,563	(33,167)	97,256
Finance income (costs):						
Finance income						1,953
Finance costs						(40,289)
Fair value gain (loss) on convertible debentures						(9,750)
Profit before income taxes						49,170
Income tax expense						(8,572)
Profit for the year						40,598

	Infrastructure	Energy	Mining	Concessions	Other costs and eliminations	Total
	$	$	$	$	$	$
Consolidated Balance Sheet						
Segment assets	736,019	684,920	491,187	191,586	(110,126)	1,993,586
Of which investments in construction projects accounted for using the equity method	25,201	2,789	13,753	190,724	–	232,467
Segment liabilities	656,459	286,366	360,556	155,013	(51,416)	1,406,978
Additions to non-current assets:						
Property, plant and equipment	20,404	13,014	36,280	–	3,734	73,432
Concession rights and other intangible assets	–	8	–	–	13,548	13,556

					For the year ended December 31, 2012	
	Infrastructure	Energy	Mining	Concessions	Other costs and eliminations	Total
	$	$	$	$	$	$
Consolidated Statement of Income						
External customer revenue	1,193,740	1,014,373	676,083	2,910	–	2,887,106
Inter-segment revenue	1,225	4,570	664	–	(6,459)	–
Total revenue	1,194,965	1,018,943	676,747	2,910	(6,459)	2,887,106
Which includes:						
Construction revenue	1,194,965	1,018,943	676,747	–	(6,459)	2,884,196
Concession revenue	–	–		2,910	–	2,910
Expenses	(1,195,921)	(971,434)	(621,092)	(11,341)	(26,743)	(2,826,531)
Which include:						
Depreciation and amortization	(16,238)	(13,996)	(23,480)	(81)	(6,845)	(60,640)
Other income (loss):						
Foreign exchange gains (losses)	127	254	2	(182)	(20)	181
Gain (loss) on sale of property, plant and equipment	771	1,115	(1,004)	–	16	898
Income from projects accounted for using the equity method	5,783	1,479	6,614	41,804	–	55,680
Operating profit (loss)	5,725	50,357	61,267	33,191	(33,206)	117,334
Finance income (costs):						
Finance income						2,104
Finance costs						(29,257)
Fair value gain (loss) on convertible debentures						4,260
Profit before income taxes						94,441
Income tax expense						16,845)
Profit for the year						77,596

	Infrastructure	Energy	Mining	Concessions	Other costs and eliminations	Total
	$	$	$	$	$	$
Consolidated Balance Sheet						
Segment assets	851,027	623,003	436,832	192,005	(239,254)	1,863,613
Of which investments in construction projects accounted for using the equity method	19,967	2,617	12,976	155,363	–	190,923
Segment liabilities	738,460	295,027	344,772	179,307	(237,111)	1,320,455
Additions to non-current assets:						
Property, plant and equipment	29,447	14,510	37,790	–	4,754	86,501
Concession rights and other intangible assets	2	7	–	–	2,150	2,159

Transactions between reportable segments have been recorded at exchange value.

Geographic segment information:

	December 31, 2013	December 31, 2012
	$	$
Revenue from external customers:		
Canada	3,034,956	2,769,281
USA	15,684	59,030
International	17,968	58,795
	3,068,608	2,887,106
Property, plant, equipment and intangible assets		
Canada	582,466	568,303
USA	1,551	1,570
International	–	–
	584,017	569,873

Revenue from external customers has been attributed to individual countries on the basis of the customer's location.

31. 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 Ltd.	Ontario
Aecon Construction Group Inc.	Canada
Canonbie Contracting Ltd.	Alberta
Innovative Steam Technologies	Ontario
Lockerbie & Hole Contracting Ltd.	Alberta
South Rock Ltd.	Alberta
West Carleton Sand and Gravel Ltd.	Ontario
Aecon Construction Management Inc.	Alberta

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

Joint arrangements and associates	Country of operations	Ownership interests	Nature of activites
Waneta Dam Project	Canada	60.0%	Construction
IPF Cold Lake and Polaris Pipelines Project	Canada	50.0%	Construction
Northeast Anthony Henday Drive Project	Canada	22.5%	Construction
Upper and Lower Mattagami Projects	Canada	20.0%	Construction
Quiport JV	Ecuador	42.3%	Concessions
Quito Airport Construction Project	Ecuador	50.0%	Concessions
Port Mann Project	Canada	40.0%	Construction
Capilano Tunnel Project	Canada	30.0%	Construction
Autoroute 30 Project	Canada	16.0%	Construction
TTC Sheppard South Project	Canada	30.0%	Construction
OPG Darlington RFR Project	Canada	50.0%	Construction

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

	December 31, 2013	December 31, 2012
	$	$
Short-term employee benefits	5,330	6,464
Post-employment benefits	90	98
Share-based payments	2,495	1,117
	7,915	7,679

32. RECONCILIATION STATEMENTS

The following table reconciles the impact of new accounting standards adopted in 2013 on the Company's previously reported consolidated balance sheets as at December 31, 2012 and January 1, 2012:

	December 31, 2012 (as previously presented)	Joint Arrangements – IFRS 11 (Note 6)	Employee Benefits – IAS 19 (2011) (Note 6)	December 31, 2012 (as presented)	January 1, 2012 (as previously (presented)	Joint Arrangements – IFRS 11 (Note 6)	Employee Benefits – IAS 19 (2011) (Note 6)	January 1, 2012 (as presented)
	$	$	$	$	$	$	$	$
ASSETS								
Current assets								
Cash and cash equivalents	66,917	(3,616)	–	63,301	175,208	(1,967)	–	173,241
Restricted cash	39,293	(35,617)	–	3,676	46,082	(40,215)	–	5,867
Marketable securities	–	–	–	–	725	–	–	725
Trade and other receivables	624,469	(6,047)	–	618,422	533,235	(13,239)	–	519,996
Unbilled revenue	331,547	(14,485)	–	317,062	249,557	3,097	–	252,654
Inventories	31,018	–	–	31,018	30,499	–	–	30,499
Income tax recoverable	11,931	(125)	–	11,806	9,695	–	–	9,695
Prepaid expenses	23,452	(4,924)	–	18,528	19,248	(2,476)	–	16,772
	1,128,627	(64,814)	–	1,063,813	1,064,249	(54,800)	–	1,009,449
Non-current assets								
Long-term financial assets	4,806	–	–	4,806	8,504	–	–	8,504
Projects accounted for using the equity method	27,371	163,552	–	190,923	17,931	102,582	–	120,513
Deferred income tax assets	34,231	(33)	–	34,198	40,222	(8,327)	–	31,895
Property, plant and equipment	508,849	(296)	–	508,553	482,148	(115)	–	482,033
Intangible assets	425,398	(364,078)	–	61,320	371,041	(307,277)	–	63,764
	1,000,655	(200,855)	–	799,800	919,846	(213,137)	–	706,709
TOTAL ASSETS	2,129,282	(265,669)	–	1,863,613	1,984,095	(267,937)	–	1,716,158
LIABILITIES								
Current liabilities								
Bank indebtedness	10,368	–	–	10,368	–	–	–	–
Trade and other payables	631,854	(28,610)	–	603,244	536,497	(26,010)	–	510,487
Provisions	4,144	–	–	4,144	11,120	–	–	11,120
Deferred revenue	141,599	2,822	–	144,421	108,096	(6,613)	–	101,483
Income taxes payable	12,161	(1,388)	–	10,773	13,688	(1,345)	–	12,343
Non-recourse project debt	11,926	(11,926)	–	–	56,745	(8,358)	–	48,387
Long-term debt	61,899	–	–	61,899	65,690	–	–	65,690
	873,951	(39,102)	–	834,849	791,836	(42,326)	–	749,510
Non-current liabilities								
Provisions	10,522	(321)	–	10,201	24,223	–	–	24,223
Non-recourse project debt	156,041	(156,041)	–	–	137,078	(137,078)	–	–
Long-term debt	146,048	–	–	146,048	142,581	–	–	142,581
Convertible debentures	253,189	–	–	253,189	251,429	–	–	251,429
Concession related deferred revenue	63,914	(63,914)	–	–	65,266	(65,266)	–	–
Deferred income tax liabilities	67,059	(8)	–	67,051	71,342	(19,702)	–	51,640
Other liabilities	8,990	127	–	9,117	10,463	(25)	–	10,438
	705,763	(220,157)	–	485,606	702,382	(222,071)	–	480,311
TOTAL LIABILITIES	1,579,714	(259,259)	–	1,320,455	1,494,218	(264,397)	–	1,229,821
EQUITY								
Capital stock	287,571	–	–	287,571	291,633	–	–	291,633
Contributed surplus	7,258	–	–	7,258	6,027	–	–	6,027
Retained earnings	255,162	–	(382)	254,780	192,808	–	–	192,808
Accumulated other comprehensive income (loss)	(6,833)	–	382	(6,451)	(4,131)	–	–	(4,131)
Shareholders' equity	543,158	–	–	543,158	486,337	–	–	486,337
Non-controlling interest	6,410	(6,410)	–	–	3,540	(3,540)	–	–
TOTAL EQUITY	549,568	(6,410)	–	543,158	489,877	(3,540)	–	486,337
TOTAL LIABILITIES AND EQUITY	2,129,282	(265,669)	–	1,863,613	1,984,095	(267,937)	–	1,716,158

The following table reconciles the impact of new accounting standards adopted in 2013 on the Company's previously reported consolidated statement of income for the year ended December 31, 2012:

	December 31, 2012 (as previously presented)	Joint Arrangements – IFRS 11 (Note 6)	Employee Benefits – IAS 19 (2011) (Note 6)	December 31, 2012 (as presented)
	$	$	$	$
Revenue	2,946,796	(59,690)	–	2,887,106
Direct costs and expenses	(2,631,791)	23,607	–	(2,608,184)
Gross profit	315,005	(36,083)	–	278,922
Marketing, general and administrative expenses	(157,191)	(7)	(509)	(157,707)
Depreciation and amortization	(63,562)	2,922	–	(60,640)
Income from projects accounted for using the equity method	14,440	41,240	–	55,680
Other income	1,072	7	–	1,079
Operating profit	109,764	8,079	(509)	117,334
Finance income	2,135	(31)	–	2,104
Finance costs	(29,275)	18	–	(29,257)
Fair value loss on convertible debentures	4,260	–	–	4,260
Profit before income taxes	86,884	8,066	(509)	94,441
Income tax expense	(5,943)	(11,029)	127	(16,845)
Profit for the year	80,941	(2,963)	(382)	77,596
Attributable to:				
Shareholders	77,978	–	(382)	77,596
Non-controlling interests	2,963	(2,963)	–	–
	80,941	(2,963)	(382)	77,596
Basic earnings per share	1.47	–	(0.01)	1.46
Diluted earnings per share	1.18	–	–	1.18

The following table reconciles the impact of new accounting standards adopted in 2013 on the Company's previously reported consolidated statement of comprehensive income for the year ended December 31, 2012:

	December 31, 2012 (as previously presented)	Joint Arrangements – IFRS 11 (Note 6)	Employee Benefits – IAS 19 (2011) (Note 6)	December 31, 2012 (as presented)
	$	$	$	$
Profit for the year	80,941	(2,963)	(382)	77,596
Other comprehensive income (loss):				
Items that will not be reclassified to profit or loss:				
Actuarial gain (loss)	(839)	–	509	(330)
Income taxes on the above	210	–	(127)	83
	(629)	–	382	(247)
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences – foreign operations	(2,150)	2,152	–	2
Currency translation differences – equity-accounted investees	–	(2,059)	–	(2,059)
Cash flow hedges – equity-accounted investees	(21)	–	–	(21)
Income taxes with respect to above items	5	–	–	5
	(2,166)	93	–	(2,073)
Total other comprehensive loss for the year	(2,795)	93	382	(2,320)
Comprehensive income for the year	78,146	(2,870)	–	75,276
Attributable to:				
Shareholders	75,276	–	–	75,276
Non-controlling interests	2,870	(2,870)	–	–
	78,146	(2,870)	–	75,276

The following table reconciles the impact of new accounting standards adopted in 2013 on the Company's previously reported consolidated statement of cash flows for the year ended December 31, 2012:

	December 31, 2012 (as previously presented)	Joint Arrangements – IFRS 11 (Note 6)	Employee Benefits – IAS 19 (2011) (Note 6)	December 31, 2012 (as presented)
	$	$	$	$
CASH PROVIDED BY (USED IN)				
Operating activities				
Profit before income taxes	86,884	8,066	(509)	94,441
Income taxes paid	(10,206)	–	–	(10,206)
Defined benefit pension	(1,770)	–	592	(1,178)
Items not affecting cash:				
Depreciation and amortization	63,562	(2,922)	–	60,640
Income from projects accounted for using the equity method	(14,440)	(41,240)	–	(55,680)
Gain on sale of assets	(898)	–	–	(898)
Income from leasehold inducements	(403)	–	–	(403)
Unrealized foreign exchange (gains) losses	414	(195)	–	219
Increase in provisions	(2,909)	(321)	–	(3,230)
Notional interest representing accretion	6,239	5	–	6,244
Fair value gain on convertible debentures	(4,260)	–	–	(4,260)
Stock-based compensation	1,231	–	–	1,231
Change in other balances relating to operations	(54,568)	19,376	–	(35,192)
	68,876	(17,231)	83	51,728
Investing activities				
(Increase) decrease in restricted cash balances	5,935	(3,743)	–	2,192
Decrease in marketable securities	725	–	–	725
Purchase of property, plant and equipment	(51,211)	220	–	(50,991)
Proceeds on sale of property, plant and equipment	4,834	–	–	4,834
Investment in concession rights	(66,170)	66,170	–	–
Increase in other intangible assets	(2,168)	9	–	(2,159)
Increase in long-term financial assets	(2,338)	–	–	(2,338)
Distributions from (advances) to projects accounted for using the equity method	5,000	(21,805)	–	(16,805)
	(105,393)	40,851	–	(64,542)
Financing activities				
Increase in bank indebtedness	10,368	–	–	10,368
Issuances of long-term debt	81,750	(37,427)	–	44,323
Repayments of long-term debt	(140,773)	12,072	–	(128,701)
Repurchase of capital stock	(8,435)	–	–	(8,435)
Dividends paid	(14,511)	–	–	(14,511)
	(71,601)	(25,355)	–	(96,956)
Decrease in cash and cash equivalents during the year	(108,118)	(1,735)	83	(109,770)
Effects of foreign exchange on cash balances	(173)	3	–	(170)
Cash and cash equivalents – beginning of year	175,208	(1,967)	–	173,241
Cash and cash equivalents – end of year	66,917	(3,699)	83	63,301

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

Joseph A. Carrabba
Corporate Director

Anthony P. Franceschini
Corporate Director

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

Rolf Kindbom
President
Kindbom Consulting Inc.

Monica Sloan
Corporate Director

The Hon. Brian V. Tobin P.C., ICD.D
Vice Chairman and Lead Director
Aecon Group Inc.
Vice Chairman
BMO Capital Markets

EXECUTIVE COMMITTEE

John M. Beck
Chairman and Chief Executive Officer

Terrance L. McKibbon
President and Chief Operating Officer

David Smales
Executive Vice-President and Chief Financial Officer

Paul P. Koenderman
Senior Advisor

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

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 service@computershare.com.

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SAFETY IS OUR NUMBER ONE CORE VALUE

At Aecon, safety is our number one core value and an intrinsic component of how we operate our business. We work hard to provide safe working conditions for our employees, contractors and clients, which has resulted in an industry-leading safety culture across our organization. Aecon's 160 dedicated safety personnel are tasked with ensuring the strict implementation of our safety program across all of our job sites.

Aecon has been recognized with many third party safety awards, including the Canadian Construction Association's National Safety Award, and obtained the provincial Certificate of Recognition in Alberta, British Columbia, Saskatchewan, Ontario, and Nova Scotia.

Our annual company-wide Safety Day is held every October, with an average of 15,000 employees, partners and clients attending events across Canada to collectively celebrate our commitment of putting Safety First.

PROUD TO BE ONE OF CANADA'S BEST EMPLOYERS

2014 Best Employers in Canada By Aon Hewitt

For seven straight years, Aecon is proud to have been recognized as one of the 50 Best Employers in Canada. Being consistently recognized as a Best Employer underscores our commitment to attract the best and brightest employees in extraordinarily competitive fields. From a comprehensive benefits and rewards program, to our in-house training and development program, Aecon University, we provide our employees with both the tools and skills required to further build and enhance their careers.

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