INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The Churchill Corporation

We have audited the accompanying consolidated financial statements of The Churchill Corporation, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of (loss) earnings and comprehensive (loss) earnings, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Consolidated Financial Statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Churchill Corporation as at December 31, 2012 and December 31, 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Edmonton, Canada
March 17, 2013

THE CHURCHILL CORPORATION
Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Earnings
For the years ended December 31, 2012 and 2011
(in thousands of Canadian dollars, except share and per share amounts)

	Note	**December 31, 2012**	December 31, 2011
Contract revenue	8	**$ 1,222,056**	$ 1,409,159
Contract costs		**1,100,299**	1,251,219
Contract income		**121,757**	157,940
Other income	9	**3,099**	1,352
Finance income	10	**417**	727
Administrative costs		**(112,845)**	(114,899)
Finance costs	10	**(11,578)**	(12,493)
Impairment losses	21, 22, 23	**(64,600)**	-
(Loss) earnings from continuing operations before tax		**(63,750)**	**32,627**
Income tax (expense) recovery			
Current income tax		**(1,956)**	(4,680)
Deferred income tax		**3,844**	(3,838)
	13	**1,888**	(8,518)
Net (loss) earnings from continuing operations		**(61,862)**	24,109
Net earnings from discontinued operations	14	**-**	833
Net (loss) earnings		**(61,862)**	24,942
Other comprehensive (loss) recovery			
Defined benefit plan actuarial losses	15	**(4,778)**	(3,232)
Deferred tax recovery on other comprehensive income	15	**1,207**	835
		(3,571)	(2,397)
Total comprehensive (loss) earnings		**$ (65,433)**	$ 22,545
(Loss) earnings per share:			
Basic from continuing operations		**$ (2.54)**	$ 0.99
Basic from discontinued operations		**$ -**	$ 0.03
Basic (loss) earnings per share	16	**$ (2.54)**	$ 1.02
Diluted (loss) earnings per share from continuing operations		**$ (2.54)**	$ 0.91
Diluted (loss) earnings per share from discontinued operations		**$ -**	$ 0.03
Diluted (loss) earnings per share	16	**$ (2.54)**	$ 0.94
Weighted average common shares:			
Basic	16	**24,402,974**	24,245,025
Diluted	16	**24,402,974**	32,445,550

See accompanying notes to the consolidated financial statements.

THE CHURCHILL CORPORATION
Consolidated Statements of Financial Position
As at December 31, 2012 and December 31, 2011
(in thousands of Canadian dollars)

	Note	**December 31, 2012**	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	17	**$ 33,774**	$ 59,445
Trade and other receivables	18	**309,097**	345,772
Inventory		**11,521**	12,762
Prepaid expenses		**3,850**	4,377
Costs in excess of billings	19	**39,100**	33,738
Income taxes recoverable		**9,505**	23,377
Current portion of long-term receivable		**225**	534
Assets held-for-sale	14	**436**	1,488
		407,508	481,493
Service provider deposit	20	**4,008**	6,066
Long-term receivable		**50**	300
Deferred tax asset	13	**15,383**	11,745
Property and equipment	22	**77,781**	82,526
Goodwill	21	**179,016**	234,256
Intangible assets	23	**58,695**	72,096
		$ 742,441	$ 888,482
LIABILITIES			
Current liabilities			
Trade and other payables	24	**$ 233,442**	$ 283,857
Contract advances and unearned income	19	**82,590**	97,657
Current portion of provisions	25	**6,492**	7,294
Income taxes payable		**4,991**	5,262
Current portion of long-term debt	26	**828**	1,403
		328,343	395,473
Employee benefits	15	**10,820**	8,315
Provisions	25	**4,407**	5,875
Long-term debt	26	**51,909**	60,433
Convertible debentures	27	**79,151**	76,691
Deferred tax liability	13	**28,927**	30,493
Share-based payments	28(f)	**3,734**	2,061
		507,291	579,341
EQUITY			
Share capital	29	**126,602**	124,290
Preferred share reserve	29(b)	**5,128**	5,128
Convertible debentures	27	**7,100**	7,100
Share-based payment reserve	28(c)	**7,171**	7,636
Retained earnings		**89,149**	164,987
		235,150	309,141
		$ 742,441	$ 888,482

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

Albrecht W.A. Bellstedt, QC
Chairperson

Allister J. McPherson
Director

THE CHURCHILL CORPORATION
Consolidated Statements of Changes in Equity
For the years ended December 31, 2012 and 2011
(in thousands of Canadian dollars)

	Note	Share capital	Preferred share reserve	Convertible debentures	Share-based payment reserve	Retained earnings	Total equity
Balance at December 31, 2010		$ 120,757	$ 5,128	$ 7,100	$ 4,860	$ 151,503	$ 289,348
Net earnings						24,942	24,942
Other comprehensive loss:							
Defined benefit plan actuarial loss, net of tax						(2,397)	(2,397)
Total comprehensive income						22,545	22,545
Transactions recorded directly to equity							
Issued in the period	29	2,514					2,514
Share-based payment transactions	28				2,776		2,776
Dividends	29	1,292				(8,749)	(7,457)
Normal course issuer bid	29	(273)				(312)	(585)
Balance at December 31, 2011		$ 124,290	$ 5,128	$ 7,100	$ 7,636	$ 164,987	$ 309,141
Net loss						(61,862)	(61,862)
Other comprehensive loss:							
Defined benefit plan actuarial loss, net of tax						(3,571)	(3,571)
Total comprehensive loss						(65,433)	(65,433)
Transactions recorded directly to equity							
Share-based payment transactions	28				(465)	1,521	1,056
Dividends	29	2,504				(11,718)	(9,214)
Normal course issuer bid	29	(192)				(208)	(400)
Balance at December 31, 2012		$ 126,602	$ 5,128	$ 7,100	$ 7,171	$ 89,149	$ 235,150

See accompanying notes to the consolidated financial statements.

THE CHURCHILL CORPORATION
Consolidated Statements of Cash Flow
For the years ended December 31, 2012 and 2011
(in thousands of Canadian dollars)

	Note	**December 31, 2012**	December 31, 2011
OPERATING ACTIVITIES			
Net (loss) earnings from continuing operations		**$ (61,862)**	$ 24,109
Net earnings from discontinued operations		**-**	833
Depreciation and amortization	11	**27,170**	26,924
Loss on disposal of assets		**181**	270
Gain on disposal of assets held-for-sale	14	**(2,485)**	(1,215)
Recovery on other long-term receivables	14	**(147)**	-
Impairment losses	21, 22, 23	**64,600**	-
Share-based compensation expense	28(g)	**4,678**	3,176
Gain on derivative instrument		**-**	(21)
Income tax (recovery) expense	13	**(1,888)**	8,518
Income tax expense on discontinued operations	13	**-**	67
Income tax recovery recorded in indirect costs	13	**-**	(1,106)
Finance costs	10	**11,578**	12,493
		41,825	74,048
Payment of share-based payment liability	28(f)	**(2,963)**	(825)
Employee benefits	15	**(2,273)**	-
Cash settlement of stock options		**(1,230)**	-
Change in provisions	25	**(2,270)**	(3,105)
Change in non-cash working capital balances relating to operations	30	**(29,991)**	826
Cash generated from operations		**3,098**	70,944
Interest paid	10	**(8,411)**	(9,188)
Income taxes received (paid)	13	**11,859**	(4,288)
Net cash generated by general operating activities		**6,546**	57,468
INVESTING ACTIVITIES			
Acquisition, net of cash and cash equivalents acquired		**-**	(9,743)
Proceeds from long-term receivable		**406**	966
Proceeds on disposal of assets		**982**	770
Proceeds on disposal of assets held-for-sale	14	**4,150**	3,059
Additions to intangible assets	23	**(4,198)**	(8,893)
Additions to property and equipment	22	**(15,458)**	(32,908)
Net cash used in investing activities		**(14,118)**	(46,749)
FINANCING ACTIVITIES			
Decrease (increase) in service provider deposit	20	**2,058**	(1,287)
Proceeds of long-term debt	26	**516,000**	473,407
Repayment of long-term debt	26	**(526,562)**	(489,124)
Share purchase under normal course issuer bid	29(c)	**(398)**	(585)
Dividend paid	29(a)	**(9,197)**	(4,533)
Net cash financing activities		**(18,099)**	(22,122)
Decrease in cash and cash equivalents during the year		**(25,671)**	(11,403)
Cash and cash equivalents, beginning of year		**59,445**	70,848
Cash and cash equivalents, end of year		**$ 33,774**	$ 59,445

See accompanying notes to the consolidated financial statements.

1. REPORTING ENTITY

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

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

2. BASIS OF PRESENTATION

(a) Statement of Compliance

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

These consolidated financial statements were approved by the Corporation’s Board of Directors on March 17, 2013.

(b) Functional and presentation currency

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

(c) Basis of measurement

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

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

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

(d) Use of estimates and judgments

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

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in note 27 – classification of debt and equity components of convertible debentures.

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

- Revenue recognition – estimates used to determine percentage of completion for construction contracts, specifically related to estimated costs to complete included in the various construction projects
- Measurement of defined benefit pension obligations (Note 15)
- Property and equipment – estimates related to the useful lives and residual values of assets (Note 22)
- Estimates in impairment of goodwill, property and equipment, and intangibles (Note 21, 22, and 23)
- Provisions – estimates associated with amounts and timing (Note 25)
- Assumptions used in share-based payment arrangements (Note 28)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and entities controlled by the Corporation (its subsidiaries). All subsidiary companies are wholly owned and inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. The Corporation proportionately consolidates its interests in joint ventures. Accounting policies have been applied consistently by the subsidiaries of the Corporation.

(i) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Corporation, liabilities incurred by the Corporation to the former owners of the acquiree and the equity interests issued or cash

paid by the Corporation in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred, unless related to issuance of debt or equity.

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

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

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

(ii) Joint ventures

Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreements. Joint ventures are accounted for using the proportionate consolidation method as follows:

- The statements of financial position include the Corporation's share of the assets that it controls jointly and the liabilities for which it is jointly responsible;
- The consolidated statements of (loss) earnings and comprehensive (loss) income include the Corporation's share of the income and expenses of the jointly controlled entity; and
- Gains and losses on the transactions between the Corporation and its joint ventures are eliminated to the extent of the Corporation's interest in the joint ventures. Losses are recognized in full where the transactions provide evidence of impairment of the asset transferred.

(b) Segment reporting

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

(c) Revenue recognition

(i) Construction contracts

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

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

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

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

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

(ii) Service contracts

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

(iii) Sale of goods

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

(d) Finance income and finance costs

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

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

(e) Income taxes

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

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

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

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

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

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

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

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

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

(f) Employee benefits

(i) Short-term employee benefits

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

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

(ii) Post-employment benefits

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

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Pension costs are based on management's best estimate of expected plan performance, salary escalation and retirement age of employees. The Corporation's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any recognized past service costs and the fair value of any plan assets are deducted. The discount rate used to establish the pension obligation is based on a yield curve using AA-rated Canadian corporate bonds for

maturities up to 10 years. This discount rate is then extrapolated with a spread adjustment to reflect the additional credit risk of AA-rated corporate bonds. The calculation is performed annually at December 31st by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Corporation, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan within the Corporation. An economic benefit is available to the Corporation if it is realizable during the life of the plan, or on settlement of the plan liabilities.

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

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

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

(iii) Share-based payments

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

The fair value of the amount payable to employees and directors in respect of performance share units (“PSUs”) and deferred shared units (“DSUs”), for which the participants are eligible to receive an equivalent cash value of the common shares at a future date, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees and directors unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as compensation expense in profit or loss. The PSUs are subject to achieving certain performance vesting conditions. DSUs vest immediately upon grant.

(g) Earnings per share

The Corporation presents basic and diluted earnings per share (“EPS”) for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to the common shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the period, adjusted for the Corporation’s own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to the common shareholders and the weighted average number of

ordinary shares outstanding for the effects of all dilutive potential common shares, including share options granted to employees and directors and shares related to convertible debentures, assuming that all of the debenture holders converted as allowed.

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

(h) Financial instruments

Under the Corporation's risk management policy, fuel derivative financial instruments are used only for risk management purposes and not for generating trading profits. The financial instruments that the Corporation uses are unlikely to meet hedge effectiveness criteria because they contain risk related to location, basis, foreign exchange and quantity. Therefore, the instruments are not accounted for as designated hedges and volatility in the value of the instruments are recorded through the consolidated statements of (loss) earnings.

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

(i) Financial assets

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

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

Derivative instruments are recorded on the consolidated statements of financial position at fair value with both realized and unrealized changes in fair value recognized immediately in other income in the consolidated statements of (loss) earnings. These fuel derivative contracts are included in prepaid expenses and trade and other payables based on the terms of the contractual agreements. As at December 31, 2012, the Corporation did not have any financial derivatives outstanding (Note 31).

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

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

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity financial assets

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

Cash and cash equivalents

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

Loans and receivables

Financial assets with fixed or determinable payments that are not derivatives and are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus any transaction costs directly attributable to the asset. Loans and

receivables are subsequently measured at amortized costs using the effective interest method, less any impairment losses. Loans and receivables are generally comprised of trade and other receivables and cash and cash equivalents.

Available-for-sale financial assets

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

(ii) Financial liabilities

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

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

The Corporation has the following financial assets and liabilities:

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

(iii) Share capital

Common shares

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

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

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

Dividend reinvestment plan ("DRIP")

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

(iv) Compound financial instruments

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

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

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

(i) Inventory

The Corporation produces ballast through rock crushing services undertaken by Broda Construction Inc. ("Broda"), a wholly owned subsidiary. Ballast inventory is measured using the lower of cost of production, consisting primarily of equipment costs and labour, and net realizable value. The cost of ballast inventory does not include profit margins or non-attributable overheads. During the year, the Corporation expensed $7,090 (2011 - $7,284) of inventory through contract costs.

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

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

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

(k) Property and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives are as follows:

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

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

(l) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination. Goodwill is not amortized and is tested for impairment annually in the fourth

quarter, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

(m) Intangible assets

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

Intangible Asset	Basis	Useful life
Enterprise Resource Planning assets	Straight-line	12 years
Backlog and agency contracts	As related revenue is earned	2 to 3 years
Customer relationships	Straight-line	5 to 15 years
Tradenames	Straight-line	5 to 15 years
Computer software	Straight-line	1 year

(n) Impairment

(i) Financial assets

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

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

amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Assets held-for-sale

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

(p) Provisions

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

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

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

The Corporation has several classes of provisions including:

(i) Warranties

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

(ii) Restructuring

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

(iii) Claims and disputes

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

(iv) Subcontractor default

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

(q) Leases

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

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

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

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

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

4. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

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

(a) IFRS 7 – *Financial Instruments: Disclosures*

IFRS 7, “Financial instruments: disclosure” was amended by the International Accounting Standards Board (“IASB”) in December 2011. The amendment contains new disclosure requirements for financial assets and financial liabilities that are offset in the statements of financial position or subject to master netting arrangements or similar agreements. These new disclosure requirements will enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US Generally Accepted Accounting Principles (“GAAP”). IFRS 7 is effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect the impact of this standard to be material to its consolidated financial statements.

(b) IFRS 10 – *Consolidated Financial Statements*

IFRS 10 establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes International Accounting Standard (“IAS”) 27, *Consolidated and Separate Financial Statements* and Standing Interpretations Committee (“SIC”) 12 *Consolidation – Special Purpose Entities* and is effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect the impact of this standard to be material to its consolidated financial statements.

(c) IFRS 11 – *Joint Arrangements*

IFRS 11, “Joint arrangements” was issued by the IASB in May 2011 and supersedes IAS 31, “Interest in joint ventures” and SIC 13, “Jointly controlled entities – non-monetary contributions by venturers”. The impact of IFRS 11 is to remove the option to account for joint ventures using proportionate consolidation and require equity accounting in most circumstances. Venturers will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item on their financial statements. In addition, IFRS 11 will require joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement will no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect the impact of this standard to be material to its consolidated financial statements.

(d) IFRS 12 – *Disclosure of Interests in Other Entities*

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associated and unconsolidated structured entities. It is effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect the impact of this standard to be material to its consolidated financial statements.

(e) IFRS 13 – *Fair Value Measurements*

IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements. IFRS 13 applies to different IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. The Corporation does not expect the impact of this standard to be material to its consolidated financial statements.

(f) IAS 19 (amendments) – *Post-employment Benefits*

An amendment to IAS 19, “Employee benefits” (IAS 19) was issued by the IASB in June 2011. The amendment requires all actuarial gains and losses to be immediately recognized in other comprehensive (loss) income rather than profit and loss and requires expected returns on plan assets recognized in profit or loss to be calculated based on the rate used to discount the defined benefit obligation. The amended standard is effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect the impact of this standard to be material to its consolidated financial statements.

(g) IAS 28 (2011) – *Investments in Associates and Joint Ventures*

IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect the impact of this standard to be material on its consolidated financial statements.

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

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

(i) IFRS 9 – *Financial Instruments*

IFRS 9, "Financial instruments" was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date to annual periods beginning on or after January 1, 2015. Earlier adoption is permitted. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Corporation is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

5. ACQUISITIONS

The Corporation did not acquire any businesses in 2012.

On April 29, 2011, one of the Corporation's subsidiaries, Canem Holdings Ltd. ("Canem"), acquired 100% of the outstanding share capital of McCaine Electric Ltd. ("McCaine"). Founded in 1918, McCaine was a privately held electrical contractor headquartered in Winnipeg, Manitoba. The primary purpose of the acquisition was to support Canem's business plan, which calls for geographic expansion into the Manitoba market.

The total consideration transferred was $12,507 including the assumption of McCaine's indebtedness as follows:

Cash consideration	$	**7,000**
Cash in escrow		**2,000**
Share consideration		**2,500**
Fair value of earn-out payment (Note 25)		**322**
Working capital adjustment		**685**
Total consideration transferred	**$**	**12,507**

The acquisition was accounted for using the purchase method and the results from operations are included from the date of the acquisition and the purchase price allocation was finalized as at December 31, 2011.

The holdback payments in escrow are being released to the vendors in four equal tranches: 6, 12, 18 and 24 months after the closing date, provided there has not been a breach of the representation and warranties provided by McCaine. As at December 31, 2012, the remaining holdback is $500 (2011 - $1,500).

A maximum of $1,000 in cash is subject to earn-out conditions based on targets on earnings before interest expense, capital asset amortization and impairment charges, and income taxes ("EBITDA") in fiscal 2012 and 2013. If this EBITDA target is not met in either year, then no earn-out is paid. The measurement of EBITDA is not a measure that has any standardized meaning prescribed by IFRS and is considered to be a non-IFRS measure. Therefore, this measure may not be comparable to similar measures presented by other companies. As at December 31, 2012, this EBITDA target was not achieved and earn-out was not paid.

Identifiable assets acquired and liabilities assumed:

Trade and other receivables	$	**8,089**
Inventory		**258**
Prepaid expenses		**112**
Costs in excess of billings		**1,202**
Property and equipment		**781**
Goodwill		**5,633**
Intangible assets		**5,300**
Total assets		**21,375**
Less:		
Bank indebtedness		**743**
Trade and other payables		**3,668**
Contract advances and unearned revenue		**2,319**
Income taxes payable		**106**
Deferred income taxes		**2,032**
Total liabilities		**8,868**
Net assets acquired	**$**	**12,507**

From the date of the acquisition to December 31, 2011, McCaine's revenues and earnings totaled $22,107 and $664, respectively. If the date of the acquisition had been January 1, 2011, pro forma consolidated revenues and earnings of the Corporation would have been $1,418,145 and $25,667, respectively. These pro forma amounts are estimates derived from the financial information of McCaine and do not necessarily reflect what results would have actually been had the acquisition occurred on January 1, 2011.

Transaction costs

The Corporation incurred acquisition costs of $80 relating to external legal fees which are included in administrative expenses in the consolidated statements of (loss) earnings.

Goodwill

The $5,633 of goodwill arising from the McCaine acquisition consists largely of the assembled workforce and anticipated synergies from project management processes. None of the goodwill from the acquisition is expected to be deductible for income tax purposes. As McCaine forms part of the Canem CGU, the goodwill that arose from the McCaine acquisition is evaluated annually for impairment in combination with goodwill attributed to Canem.

6. SEGMENTS

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

For the year ended December 31, 2012, there were no customers that represented 10% or more of contract revenue earned (2011 - $112,743).

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

Industrial Services - Industrial Services consists of Churchill Services Group ("CSG") and Broda. CSG has three divisions: Laird Electric Inc., Laird Constructors Inc. (collectively, "Laird") and Specialty Services. Laird Electric is headquartered in Edmonton, Alberta and provides electrical, instrumentation and power-line construction and maintenance services to resource and industrial clients, primarily in the oil and gas industry in the Fort McMurray and greater Edmonton regions. Laird Constructors is headquartered in Sudbury, Ontario and is a multi-trade contractor providing electrical, instrumentation, power-line, mechanical and structural construction and maintenance services to resource and industrial clients, primarily in the mining and power generation industries in Ontario, Manitoba and Saskatchewan. Specialty Services is headquartered in Edmonton, Alberta. It has two operating companies, Fuller Austin Inc. and Northern Industrial Insulation Contractors Inc., serving industrial clients with insulation, asbestos abatement, siding application, heating, ventilation and air conditioning ("HVAC"), and plant maintenance services. Its clients are in the oil sands, oil and natural gas, petrochemical, forest products, power utilities and mining industries. Broda is headquartered in Prince Albert, Saskatchewan, providing aggregate processing, earthwork, civil construction, concrete production and related services to mining and infrastructure organizations, and Canada's two major railway corporations. The civil construction industry in Canada is seasonal in nature for companies like Broda, which does a significant portion of its work outdoors, particularly road construction. As a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, Broda has historically experienced a seasonal pattern in its operating results with the first half of the year and particularly the first quarter generating lower revenues and profits than the second half of the year. Therefore results in any one quarter are not necessarily indicative of results in any other quarter, or for the year as a whole.

Commercial Systems - Commercial Systems consists of Canem and McCaine (Note 5). Canem, with its head office located in Richmond, B.C., designs, builds, maintains and services electrical and data communication systems for institutional, commercial, light industrial and multi-family residential customers. Its services include the design of electrical distribution systems within a building or complex; procurement and installation of electrical equipment and materials; on-call service for electrical maintenance and troubleshooting; preventative and

scheduled maintenance for critical component installations; budgeting and pre-construction services; and management of regional and national contracts for multi-site installations.

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

2012	General Contracting	Industrial Services	Commercial Systems	Corporate and Other	Intersegment Eliminations	Total
Contract revenue	$ 691,987	$ 383,669	$ 188,152	$ -	$ (41,752)	$ 1,222,056
EBITDA [1]	6,456	29,362	12,539	(13,816)	5,057	39,598
Depreciation and amortization	3,994	7,688	2,503	12,485	500	27,170
Finance costs	44	119	-	11,415	-	11,578
Impairment losses	-	3,010	-	59,412	2,178	64,600
Loss before tax	$ 2,418	$ 18,545	$ 10,036	$ (97,128)	$ 2,379	$ (63,750)
Income tax expense						1,888
Net loss						$ (61,862)
Goodwill and intangible assets	$ 128,309	$ 7,766	$ 81,051	$ 20,585	$ -	$ 237,711
Impairment losses related to each segment	$ -	$ 21,200	$ 43,400	$ -	$ -	$ 64,600
Capital and intangible expenditures	$ 6,841	$ 8,157	$ 974	$ 4,451	$ -	$ 20,423
Total assets	$ 396,356	$ 159,529	$ 106,836	$ 405,759	$ (326,039)	$ 742,441
Total liabilities	$ 268,179	$ 58,341	$ 45,077	$ 158,183	$ (22,489)	$ 507,291

2011	General Contracting	Industrial Services	Commercial Systems	Corporate and Other	Intersegment Eliminations	Total
Contract revenue	$ 906,959	$ 367,030	$ 192,688	$ -	$ (57,518)	$ 1,409,159
EBITDA [1], [2]	26,215	33,429	23,984	(12,092)	508	72,044
Depreciation and amortization	3,747	5,367	2,187	15,204	419	26,924
Finance costs	17	254	4	12,219	(1)	12,493
Earnings (loss) from continuing operations before tax	$ 22,451	$ 27,807	$ 21,793	$ (39,515)	$ 90	$ 32,627
Income tax expense from continuing operations						(8,518)
Net earnings from continuing operations						$ 24,109
Goodwill and intangible assets	$ 131,476	$ 21,782	$ 134,186	$ 18,908	$ -	$ 306,352
Capital and intangible expenditures	$ 7,706	$ 22,988	$ 1,359	$ 8,754	$ 994	$ 41,801
Total assets	$ 441,255	$ 196,628	$ 198,424	$ 68,680	$ (16,505)	$ 888,482
Total liabilities	$ 321,637	$ 58,759	$ 39,930	$ 165,563	$ (6,548)	$ 579,341

[1] EBITDA represents earnings before interest expense, capital asset amortization and impairment charges, and income taxes.
[2] EBITDA for the year ended December 31, 2011 excludes earnings from discontinued operations of $833.

7. JOINT VENTURES

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

Acciona Joint Venture - 50%
Stuart Olson/Conforte JV - 50%
Ninety North Partnership JV - 50%
Kwanlin Dun First Nation - Yukon Corrections Institution JV - 90%
Kwanlin Dun First Nation - Whitehorse Cultural Centre JV - 51%

There have been no changes in the Corporation's ownership or voting interests in these joint ventures during the year ended December 31, 2012.

These consolidated financial statements include the proportionate share of assets, liabilities, revenue, expenses, net income and cash flow of these joint ventures as follows:

	December 31, 2012	December 31, 2011
Current assets	**$ 5,190**	$ 33,757
Current liabilities	**3,240**	22,382

	Year ended	
	December 31, 2012	December 31, 2011
Contract income	**$ 22,787**	$ 66,020
Expenses	**16,240**	60,653

	Year ended	
	December 31, 2012	December 31, 2011
Cash flow provided (used) by operating activities	**$ 5,329**	$ (7,031)

8. REVENUE

	December 31, 2012	December 31, 2011
Construction contract revenue	**$ 1,064,904**	$ 1,224,343
Service contract revenue	**141,187**	168,368
Sales of goods	**15,965**	16,448
Total revenue	**$ 1,222,056**	$ 1,409,159

Construction contract revenue is the amount of revenue recognized from the construction of assets and the provision of construction management services. Service contract revenue includes maintenance and other services recognized based on the percentage of completion method, and time and material contracts recognized at contractual rates as labour hours and direct expenses are incurred. Revenue recognized from the sale of goods includes materials that are fabricated to customer specifications under specifically negotiated contracts.

9. OTHER INCOME

	December 31, 2012	December 31, 2011
Gain (loss) on sale of assets	**$ 2,304**	$ (129)
Discounts	**54**	45
Claims and settlements	**741**	1,436
Other income	**$ 3,099**	$ 1,352

10. FINANCE INCOME AND COSTS

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

	December 31, 2012	December 31, 2011
Finance income on loans and receivables	**$ 9**	$ 25
Finance income on cash and cash equivalents	**407**	629
Other	**1**	73
Finance income	**$ 417**	$ 727
Finance costs on revolving credit facility	**$ 3,013**	$ 3,695
Other finance costs	**223**	318
Amortization of deferred financing fees on revolving credit facility	**707**	1,068
Finance costs on convertible debentures	**5,175**	5,175
Accretion on convertible debentures	**1,894**	1,724
Amortization of deferred financing fees on convertible debentures	**566**	512
Finance costs	**$ 11,578**	$ 12,493

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

Total finance income on financial assets	**$ 417**	$ 727
Total finance costs on financial liabilities	**$ 8,411**	$ 9,188

11. DEPRECIATION AND AMORTIZATION

	December 31, 2012	December 31, 2011
Depreciation of property and equipment	**$ 13,712**	$ 11,023
Amortization of intangible assets	**13,458**	15,901
Total depreciation and amortization expense	**$ 27,170**	$ 26,924

Of the depreciation of property and equipment during the year ended December 31, 2012, $9,670 (2011 - $7,334) has been included in contract costs and the remainder in administrative costs in the consolidated statements of (loss). Amortization of intangible assets is included in administrative expense in the consolidated statements of (loss) earnings.

12. PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

		December 31, 2012		December 31, 2011
Short-term employee benefits	**$**	**377,822**	$	363,913
Employee share purchase plan expenses (Note 15)		**4,604**		2,808
Employee retirement matching contributions (Note 15)		**3,105**		3,046
Defined benefit and defined contribution pension plan expense		**1,590**		2,021
Equity-settled share-based payment transactions		**2,192**		2,795
Cash-settled share-based payment transactions		**1,589**		276
Total personnel expenses and employee benefits	**$**	**390,902**	$	374,859

Of the personnel expenses and employee benefits in the table above, $338,170 was included in contract costs (2011 - $319,792) and $52,732 in administrative costs (2011 - $55,067) for the year ended December 31, 2012.

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

		December 31, 2012		December 31, 2011
Short-term benefits	**$**	**2,847**	$	3,257
Share-based payments [1]		**2,167**		2,451
	$	**5,014**	$	5,708

[1] Share-based payments include equity-settled and cash-settled share-based payments.

The remuneration of key management is determined by the Human Resources and Compensation Committee of the Board of Directors ("HRCC") and recommended to the full Board for approval, considering the performance of individuals, their business units and the Corporation. Utilizing an outside independent consultant, the HRCC also considers prevailing market and competitive conditions along with retention and strategic objectives.

13. INCOME TAXES

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

	December 31, 2012	December 31, 2011
Current income tax expense		
Current period	**$ (1,773)**	$ (7,709)
Adjustment relating to prior periods	**(183)**	3,029
	(1,956)	(4,680)
Deferred income tax recovery (expense)		
Origination and reversal of temporary differences	**3,868**	(2,492)
Impact of changes in tax rates	**98**	1,227
Adjustment relating to prior periods	**(36)**	(2,652)
Change in unrecognized deductible temporary differences	**(86)**	79
	3,844	(3,838)
Income tax recovery (expense) from continuing operations	**$ 1,888**	$ (8,518)

Reconciliation of effective tax rate:

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

	December 31 2012	December 31 2011
(Loss) earnings from continuing operations before tax	**$ (63,750)**	$ 32,627
Income tax at statutory rate of 25.4% (2011 - 27.5%)	**$ 16,193**	$ (8,972)
Statutory and other rate differences	**98**	1,227
Non-taxable accounting income	**614**	-
Non-deductible expenses	**(898)**	(1,033)
Goodwill impairment	**(13,810)**	-
Change in unrecognized deductible temporary differences	**(86)**	79
Other	**(223)**	181
Income tax recovery (expense) from continuing operations	**$ 1,888**	$ (8,518)

The Corporation's statutory tax rate of 25.4% in 2012 (2011 - 27.5%) is the combined Canadian federal and provincial tax rates in the jurisdictions in which the Corporation operates. The rate decline for 2012 is due to a reduction in the Federal income tax rate from 16.5% to 15.0% for 2012, combined with an increased proportion of the year's (loss) earnings in provinces with lower corporate tax rates.

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

	December 31, 2012	December 31, 2011
Deferred tax assets		
Tax loss carry forwards	**$ 1,386**	$ 786
Equipment and other assets	**(53)**	(187)
Intangible assets	**11**	6
Pension and other compensation	**1,582**	1,899
Unrecognized deductible temporary difference	**(348)**	(66)
Unbilled work-in-progress and holdback receivables	**10,782**	7,936
Provisions	**1,867**	1,222
Other	**156**	149
	15,383	11,745
Deferred tax liabilities		
Tax loss carry forwards	**7,444**	2,204
Equipment and other assets	**(7,095)**	(8,424)
Intangible assets	**(14,022)**	(16,719)
Pension and other compensation	**2,065**	1,863
Unrecognized deductible temporary difference	**(272)**	(73)
Unbilled work-in-progress and holdback receivables	**(17,710)**	(11,001)
Provisions	**1,010**	1,689
Other	**(347)**	(32)
	(28,927)	(30,493)
Net deferred income tax liability	**$ (13,544)**	$ (18,748)

All deferred tax asset positions recognized by the Corporation are supported by either the reversal of existing taxable temporary differences or forecasted future taxable earnings in excess of the deductible temporary difference. The Corporation has unrecognized non-capital loss carryforwards of $1,394 (December 31, 2011 - $nil) for which no deferred income tax asset could be recognized, but remain available to reduce future taxable income.

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

2012	**Asset January 1, 2012**	**Recovery (expense) recognized in profit or loss**	**Recovery (expense) recognized in equity**	**Recovery (expense) recognized in OCI**	**Asset (liability) recognized from held for sale**	**Asset (liability) acquired in a business combination**	**Asset (liability) December 31, 2012**
Tax loss carry forwards	**$ 2,990**	**$ 5,687**	**$ -**	**$ -**	**$ 153**	**$ -**	**$ 8,830**
Equipment and other assets	**(8,611)**	**1,463**	**-**	**-**	**-**	**-**	**(7,148)**
Intangible assets	**(16,713)**	**2,702**	**-**	**-**	**-**	**-**	**(14,011)**
Pension and other compensation	**3,762**	**(1,322)**	**-**	**1,207**	**-**	**-**	**3,647**
Unrecognized deductible temporary difference	**(139)**	**(481)**	**-**	**-**	**-**	**-**	**(620)**
Unbilled work-in-progress and holdback receivables	**(3,065)**	**(3,863)**	**-**	**-**	**-**	**-**	**(6,928)**
Provisions	**2,911**	**(34)**	**-**	**-**	**-**	**-**	**2,877**
Other	**117**	**(308)**	**-**	**-**	**-**	**-**	**(191)**
	$ (18,748)	**$ 3,844**	**$ -**	**$ 1,207**	**$ 153**	**$ -**	**$ (13,544)**

2011	Asset (liability) January 1, 2011	Recovery (expense) recognized in profit or loss	Recovery (expense) recognized in equity	Recovery (expense) recognized in OCI	Liability (asset) recognized as held for sale	Asset (liability) acquired in a business combination	Asset (liability) December 31, 2011
Tax loss carry forwards	$ 4,880	$ (1,890)	$ -	$ -	$ -	$ -	$ 2,990
Equipment and other assets	(7,854)	(784)	-	-	34	(7)	(8,611)
Intangible assets	(15,526)	252	-	-	-	(1,439)	(16,713)
Pension and other compensation	2,868	59	-	835	-	-	3,762
Unrecognized deductible temporary difference	(289)	150	-	-	-	-	(139)
Unbilled work-in-progress and holdback receivables	(3,318)	839	-	-	-	(586)	(3,065)
Provisions	5,235	(2,324)	-	-	-	-	2,911
Other	495	(140)	(238)	-	-	-	117
	$ (13,509)	$ (3,838)	$ (238)	$ 835	$ 34	$ (2,032)	$ (18,748)

The Corporation has accumulated non-capital losses for income tax purposes of $33,154 (December 31, 2011 - $11,246) related to continuing operations, which expire as follows:

Accumulated non-capital losses:		
2014	$	203
2025		199
2026		422
2027		417
2028		159
2030		174
2031		8,107
2032		23,473
	$	**33,154**

14. ASSETS HELD-FOR-SALE

During the year, the Corporation sold two properties previously occupied by SODCL located in Edmonton, Alberta for combined proceeds of $4,150 and a net book value of $1,665, resulting in a gain on sale of $2,485. This gain on sale is recorded in other income (Note 9).

As at December 31, 2012, the asset held-for-sale of $436 (2011 - $1,488) consists of agricultural land. This land is available for immediate sale in its present condition and the sale is highly probable.

15. EMPLOYEE BENEFITS

(a) Short-term employee benefits

The Corporation has an Employee Share Purchase Plan (“ESPP”) which permits certain employees to voluntarily contribute up to 10% of their gross base salary. The Corporation matches all contributions by the employees up to a maximum of 5% of the gross base salary. The combined contributions are invested by the plan in common shares of the Corporation purchased on the retail market. Contributions made by the Corporation during the year ended December 31, 2012 to the ESPP were $4,604 (2011 - $2,808) (Note 12).

(b) Post-employment benefits

Registered Retirement Savings Plan

The Corporation has a Registered Retirement Savings Plan (“RRSP”) which permits certain employees to voluntarily contribute up to 5% of their gross base salary. The Corporation matches all contributions made by the employees. The combined contributions are invested by the individual employees, at their discretion, in any of several mutual funds offered by the plan. Contributions made by the Corporation during the year ended December 31, 2012 to the RRSP were $3,105 (2011 - $3,046) (Note 12).

Defined Contribution Pension Plans

The Corporation also maintains three non-contributory defined contribution pension plans ("DC") that cover salaried employees for two operating entities. Two of the DC plans provide participants with an annual contribution of 3% to 7% of annual base salary and bonuses based on a participant's age and length of service. As of July 13, 2010, the Corporation halted new membership to the DC plan in SODCL; however, the DC plan in Canem continues to accept the entrance of new employees. The Corporation also acquired a third DC plan with the McCaine acquisition (Note 5). It differs from the other two plans in that employer contributions ranging between 3% to 5% are based on the employee's position in the company. In addition, the earnings base excludes bonuses. As of June 7, 2012, the DC plan with McCaine was terminated and contributions have been transferred to the Canem plan.

The total expense recognized in the consolidated statements of (loss) earnings and comprehensive (loss) income of $512 (2011 - $485) represents contributions payable to these plans by the Corporation at rates specified in the rules of the plans. As at December 31, 2012, contributions of $30 (2011 – $nil) were due in respect of the current reporting year and were paid after year end.

Defined Benefit Pension Plans

The Corporation maintains two non-contributory defined benefit pension plans ("DB") that cover salaried employees for two of the operating entities. Annual employer contributions to the DB, which are actuarially determined by an independent actuary, are made on the basis of being not less than the minimum amounts required by provincial pension supervisory authorities. The benefits provided by the defined benefit provision of the pension plans are based on years of service and final average earnings of the employees who are members of the plans.

Future benefits

		December 31, 2012		December 31, 2011
Wholly or partially funded defined benefit obligation	**$**	**32,746**	$	27,037
Fair value of plan assets		**21,926**		18,722
Recognized liability for defined benefit obligations	**$**	**10,820**	$	8,315

Plan assets comprise:

	December 31, 2012	December 31, 2011
Equity securities	**31%**	74%
Debt securities	**54%**	23%
Short-term	**15%**	3%
	100%	100%

Fair market value of plan assets:

	December 31, 2012	December 31, 2011
Equity securities	**$ 6,841**	$ 13,786
Debt securities	**11,802**	4,359
Short-term	**3,283**	577
	$ 21,926	$ 18,722

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. An internal committee comprised of senior management ("Pension Committee") assessed the expected return based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligations.

	December 31, 2012	December 31, 2011
Accrued benefit obligation		
Balance, beginning of year	**$ 27,037**	$ 27,727
Benefit payments	**(1,973)**	(3,592)
Current service cost	**1,040**	1,080
Interest cost	**1,356**	1,536
Employee contributions	**139**	35
Actuarial loss in other comprehensive income	**5,147**	251
Balance, end of year	**$ 32,746**	$ 27,037

	December 31, 2012	December 31, 2011
Fair value of plan assets		
Balance, beginning of year	**$ 18,722**	$ 20,855
Employer contributions	**3,405**	2,856
Employee contributions	**83**	88
Benefit payments	**(1,973)**	(3,592)
Expected return on plan assets	**1,320**	1,496
Actuarial gain (loss) in other comprehensive income	**369**	(2,981)
Balance, end of year	**$ 21,926**	$ 18,722

	December 31, 2012	December 31, 2011
Net pension liabilty	**$ 10,820**	$ 8,315
Funded status - deficit	**$ 10,820**	$ 8,315

Historical information on accrued benefit obligation, fair value of plan assets, and plan deficit:

	December 31, 2012	December 31, 2011	December 31, 2010
Accrued benefit obligation	**$ 32,746**	$ 27,037	$ 27,727
Fair value of plan assets	**21,926**	18,722	20,855
Plan deficit	**$ 10,820**	$ 8,315	$ 6,872

Expense recognized:

	December 31, 2012	December 31, 2011
Current service cost	**$ 1,040**	$ 1,080
Interest cost	**1,356**	1,536
Expected return on plan assets	**(1,320)**	(1,496)
	$ 1,076	$ 1,120

Actuarial gains and losses recognized in other comprehensive loss:

	December 31, 2012	December 31, 2011
Cumulative amount, beginning of year	**$ (1,026)**	$ 2,206
Recognized during the year [1]	**(4,778)**	(3,232)
Cumulative amount, end of year	**$ (5,804)**	$ (1,026)

[1] Actuarial loss gives rise to a deferred income tax recovery in 2012 of $1,207 (2011 - $835).

For the year ended December 31, 2012, an amount of $4,778 (2011 – $3,232), before tax, was recorded in other comprehensive loss in relation to defined benefit plans. This loss relates to a change in the discount rates and a change in the market value of the assets, which are both as at December 31, 2012.

The expense is recognized in the following line items in the consolidated statements of (loss) earnings and comprehensive (loss) income:

	December 31, 2012	December 31, 2011
Administrative expenses	**$ 355**	$ 474
Actual return (loss) on plan assets	**$ 1,689**	$ (1,485)

Actuarial assumptions:

	December 31, 2012	December 31, 2011
Discount rate on benefit obligations	**3.8%**	5.0%
Expected long-term rate of return on plan assets	**6.3%**	6.8%
Rate of compensation increase for 15 years	**3.5%**	3.5%
Inflation rate	**2.3%**	2.3%

The discount rate used to establish the pension obligation is based on a yield curve using AA-rated Canadian corporate bonds for maturities up to 10 years. This discount rate is then extrapolated with a spread adjustment to reflect the additional credit risk of AA-rated corporate bonds.

The Corporation uses actuarial valuation reports prepared by independent actuaries for both SODCL and Canem. As at December 31, 2012, the actuaries prepared a valuation for financial reporting which will be filed with the regulators in 2013. Actuarial valuations for funding purposes are prepared annually for Canem with the next one due as at December 31, 2013. SODCL's next actuarial valuation for funding purposes will also be prepared as at December 31, 2013; however, the report for SODCL is prepared only once every three years.

16. (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

	December 31, 2012	December 31, 2011
Net (loss) earnings from continuing operations attributable to common shareholders (basic)	**$ (61,862)**	$ 24,109
Net earnings from discontinued operations attributable to common shareholders (basic)	**-**	833
	$ (61,862)	$ 24,942
Issued common shares at beginning of year	**24,300,019**	24,133,727
Effect of shares issued related to a business combination	**-**	85,229
Effect of shares repurchased under NCIB	**(35,110)**	(2,583)
Effect of shares issued related to DRIP	**138,065**	28,652
Weighted average number of common shares for the year	**24,402,974**	24,245,025
Basic earnings per share	**$ (2.54)**	$ 1.02

(b) Diluted (loss) earnings per share

	December 31, 2012	December 31, 2011
Net (loss) earnings from continuing operations attributable to common shareholders (basic)	**$ (61,862)**	$ 24,109
Interest, accretion and amortization of deferred financing fees, net of tax	**-**	5,477
Net earnings from discontinued operations attributable to common shareholders (basic)	**-**	833
Net (loss) earnings attributable to common shareholders (diluted)	**$ (61,862)**	$ 30,419
Weighted average number of common shares (basic)	**24,402,974**	24,245,025
Incremental shares - stock options	**-**	257,439
Incremental shares - convertible debentures	**-**	7,943,086
Weighted average number of common shares for the period (diluted)	**24,402,974**	32,445,550
Diluted earnings per share	**$ (2.54)**	$ 0.94

At December 31, 2012, 1,379,981 options (2011 – 809,587) were excluded from the diluted weighted average number of common share calculations as their effect would have been anti-dilutive. There were no incremental shares related to the convertible debentures included in the weighted average calculation at December 31, 2012 as the impact of the normalization of earnings (interest, accretion and amortization add-back) outweighed the effect of the related incremental shares and therefore the convertible debentures were anti-dilutive.

The incremental shares included in the dilutive weighted average number of shares has been determined using the Corporation's share price at December 31, 2012 of $8.70 (2011 - $11.43).

As the Corporation incurred a net loss during the year ended December 31, 2012, the basic and diluted loss per common share is the same amount.

17. CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2011
Cash	**$ 33,774**	$ 58,613
Short-term investments	**-**	832
	$ 33,774	$ 59,445

Included in the cash and cash equivalents balance is $4,205 (2011 - $14,847) held in joint venture bank accounts. The short term investments in 2011 include cash that was deposited as collateral for letters of credit issued by the Corporation.

18. TRADE AND OTHER RECEIVABLES

	December 31, 2012	December 31, 2011
Trade receivables	**$ 215,746**	$ 234,272
Construction holdbacks, due within one business cycle	**92,308**	105,318
Other receivables	**1,043**	6,182
	$ 309,097	$ 345,772

The average credit period is 45 days for maintenance contracts and 50 days for significant construction contracts. Other receivables include the Corporation's allowance for doubtful accounts.

At December 31, 2012, holdbacks of $92,308 (2011 - $105,318) are recoverable within the normal operating cycle of the Corporation ranging from 30 days to 3 years, depending on the nature of services being provided. The range is dependent on the type of project and duration of the work.

19. CONSTRUCTION AND NON-CONSTRUCTION CONTRACTS

Contracts in progress:

		December 31, 2012		December 31, 2011
Construction costs incurred plus recognized profits less recognized losses to date	**$**	**4,698,839**	$	3,802,663
Less: progress billings		**(4,752,342)**		(3,871,178)
Net over billings on construction contracts		**(53,503)**		(68,515)
Non-construction costs incurred plus recognized profits less recognized losses to date	**$**	**254,061**	$	201,415
Less: progress billings		**(244,048)**		(196,819)
Net under billings on non-construction contracts		**10,013**		4,596
Total net contract position	**$**	**(43,490)**	$	(63,919)

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

		December 31, 2012		December 31, 2011
Costs in excess of billings - Construction contracts	**$**	**28,978**	$	28,038
Costs in excess of billings - Non-construction contracts		**10,122**		5,700
Total costs in excess of billings		**39,100**		33,738
Contract advances and unearned income - Construction contracts	**$**	**(82,483)**	$	(96,561)
Contract advances and unearned income - Non-construction contracts		**(107)**		(1,096)
Total contract advances and unearned income		**(82,590)**		(97,657)
Total net contract position	**$**	**(43,490)**	$	(63,919)

At December 31, 2012, retentions held by customers for contract work amounted to $98,439 (2011 - $111,187). Advances received from customers for contract work amounted to $71,536 (2011 – $96,930).

20. SERVICE PROVIDER DEPOSIT

Service provider deposit relates to the General Contracting segment's Subguard program representing an agreement with Zurich Insurance Corporation ("Zurich") that establishes a pre-funded deductible/co-pay insurance program. The funds held by Zurich as at December 31, 2012, amounted to $4,008 (2011 - $6,066) and are presented as service provider deposit on the consolidated statements of financial position.

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

21. GOODWILL

		December 31, 2012		**December 31, 2011**
Goodwill, beginning of the year	**$**	**234,256**	$	228,623
Current year acquisitions		**-**		5,633
Impairment losses recognized in the year		**(55,240)**		-
	$	**179,016**	$	234,256

Goodwill arose during multiple past acquisitions. Goodwill associated with the SODCL, Broda and Canem CGUs arose from the Seacliff acquisition in 2010. Additional goodwill was attributed to the Canem CGU through the McCaine acquisition in 2011 (Note 5). CSG's goodwill stems from the Laird acquisition of 2003. Goodwill recognized on all of these acquisitions was attributable mainly to the synergies achieved from the integration of acquired companies into existing construction, commercial and industrial services.

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

		December 31, 2012		December 31, 2011
SODCL	**$**	**114,078**	$	114,078
CSG		**7,315**		7,315
Broda		**-**		11,840
Canem		**57,623**		101,023
	$	**179,016**	$	234,256

During the fourth quarter, the Corporation performed its annual goodwill impairment test. The calculated Business Enterprise Value for each of the CGUs incorporated the financial projections set out in the respective CGU's strategic plan approved by the Board of Directors in December 2012. The financial projections of the Broda CGU and Canem CGU reflected lower future EBITDA than previous projections as a result of current economic conditions impacting revenues and margins. The impairment testing indicated that the recoverable amount of these CGUs was less than their carrying amount. As a result, the Corporation recorded an impairment loss of $64,600 on the statement of comprehensive loss comprised of $55,240 of non-cash goodwill impairment, $5,219 of property and equipment impairment (Note 22), and $4,141 of intangible asset impairment (Note 23). Goodwill impairment charges are non-cash charges that do not have any adverse effect on respective cash flows from operating activities and will not have an impact on the CGUs' future operations.

If the impairment loss resulting from the comparison of the recoverable amount of the CGU to carrying amount exceeds the goodwill allocated to the CGU then the impairment loss is allocated to certain other assets of the CGU. In the Broda CGU, the impairment loss exceeded the carrying amount of goodwill of $11,840, resulting in impairment losses allocated to property and equipment of $5,219 (Note 22) and intangible assets of $4,141 (Note 23). The entire amount of $43,400 of impairment in the Canem CGU was fully applied to goodwill and did not extend to other assets of that entity.

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

Key Assumptions

The key assumptions in the value in use calculations to determine the recoverable amounts by CGU have been prepared using a five year discounted cash flow analysis with a terminal value. The financial projections used for the discounted cash flow analysis were derived from the Corporation's 2012 Strategic Plan which was approved by management and the Board of Directors in December 2012.

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

The terminal value was calculated using a discount rate of 12% (2011 – 10%) and a steady annual growth of 1.5% (2011 – 2.0%) in the terminal year. The same discount rate was used in each of the Corporation's CGUs given that each entity has access to the same source of debt and each CGU is ultimately governed by management at the parent Company. In addition, entity specific risks were separately factored into each CGU forecast. They take into consideration market rates of return, capital structure, company size, industry risk and after-tax cost of debt and equity.

Sensitivity of assumptions

SODCL and CSG: Management and the Board of Directors believe that any reasonable change to the key assumptions on which the recoverable amounts are based would not cause the SODCL or CSG carrying amounts to exceed their respective recoverable amounts.

Canem: A 2.0% increase in the discount rate would increase the impairment charge approximately $16,000. A decrease in growth rate of 0.5% would increase the impairment charge by approximately $3,000.

Broda: A 2.0% increase in the discount rate would increase the impairment charge approximately $6,900. A decrease in growth rate of 0.5% would increase the impairment charge by approximately $1,300.

22. PROPERTY AND EQUIPMENT

Included in construction and automotive equipment is $988 (2011 - $7,241) of assets relating to finance leases and $160 (2011 - $1,046) of accumulated depreciation, for a net carrying value of $828 (2011 - $6,195).

Included in office furniture and equipment is $61 (2011 - $61) of assets relating to finance leases and $43 (2011 - $31) of accumulated depreciation, for a net carrying value of $18 (2011 - $30).

In the year ended December 31, 2012, there were nil assets related to finance leases recorded in leasehold improvements as these were fully depreciated (2011 - $285 of assets, with $73 of accumulated depreciation, for a net carrying value of $212).

Assets with a carrying value of $846 (2011 - $6,437) are pledged as security for the finance lease obligations disclosed in Note 26(c).

As discussed in Note 21, during the fourth quarter, the Corporation recorded an impairment loss of $5,219 related to construction and automotive equipment.

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

2011	Land and Improvements	Buildings and Improvements	Leasehold Improvements	Construction and Automotive Equipment	Computer Hardware	Office Furniture and Equipment	Assets under Construction	Total
Cost								
Balance as at December 31, 2010	$ 1,372	$ 5,056	$ 6,407	$ 63,415	$ 6,090	$ 3,439	$ -	$ 85,779
Additions, including finance leases	-	-	2,823	23,282	979	812	4,231	32,127
Disposal	-	(123)	(674)	(2,510)	(591)	(222)	-	(4,120)
Acquisition (Note 4)	-	-	234	394	-	153	-	781
Assets held-for-sale	(207)	(98)	(489)	-	-	(8)	-	(802)
Balance at December 31, 2011	$ 1,165	$ 4,835	$ 8,301	$ 84,581	$ 6,478	$ 4,174	$ 4,231	$ 113,765
Accumulated Depreciation and Impairment Losses								
Balance as at December 31, 2010	$ -	$ 2,955	$ 1,762	$ 12,935	$ 3,957	$ 1,687	$ -	$ 23,296
Depreciation expense	-	174	1,334	7,710	1,252	553	-	11,023
Disposal of assets	-	-	(667)	(1,702)	(591)	(120)	-	(3,080)
Balance at December 31, 2011	$ -	$ 3,130	$ 2,429	$ 18,943	$ 4,618	$ 2,120	$ -	$ 31,240
Carrying amounts at December 31, 2011	$ 1,165	$ 1,706	$ 5,872	$ 65,638	$ 1,860	$ 2,054	$ 4,231	$ 82,526

23. INTANGIBLE ASSETS

As discussed in Note 21, during the fourth quarter, the Corporation recorded an impairment loss of $4,141 related to customer relationships and tradename.

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

2011	ERP assets	Backlog and Agency Contracts	Customer Relationships and Tradename	Computer Software	Total
Cost					
Balance, December 31, 2010	$ 11,914	$ 19,200	$ 50,510	$ 3,139	$ 84,763
Additions - externally acquired	8,428	-	-	466	8,894
Acquisition (Note 5)	-	1,400	3,900	-	5,300
Balance, December 31, 2011	20,342	20,600	54,410	3,605	98,957
Accumulated amortization					
Balance, December 31, 2010	$ 36	$ 5,908	$ 2,731	$ 2,285	$ 10,960
Amortization expense	1,213	8,344	5,343	1,001	15,901
Balance, December 31, 2011	1,249	14,252	8,074	3,286	26,861
Carrying amounts, December 31, 2011	$ 19,093	$ 6,348	$ 46,336	$ 319	$ 72,096

24. TRADE AND OTHER PAYABLES

	December 31, 2012	December 31, 2011
Trade payables	**$ 133,210**	$ 158,230
Holdbacks and accrued liabilities	**81,914**	107,484
Short-term employee benefits	**12,125**	12,397
Dividend payable	**2,940**	2,923
Due to related parties	**29**	7
Other	**3,224**	2,816
	$ 233,442	$ 283,857

The Corporation's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 31 - Financial Instruments.

25. PROVISIONS

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

	Warranties	Restructuring costs	Claims and disputes	Subcontractor default	Acquisition purchase price provision	Total
Balance as December 31, 2010	$ 5,485	$ 4,386	$ 3,005	$ 3,600	$ -	$ 16,476
Provisions made during the year	5,206	906	549	2,077	1,209	9,947
Provisions used during the year	(420)	(1,903)	(14)	(1,216)	(685)	(4,238)
Provisions reversed in the year	(4,448)	(1,787)	(580)	(2,000)	(202)	(9,017)
Other	-	-	1	-	-	1
Balance at December 31, 2011	$ 5,823	$ 1,602	$ 2,961	$ 2,461	$ 322	$ 13,169
Balance at December 31, 2011	**$ 5,823**	**$ 1,602**	**$ 2,961**	**$ 2,461**	**$ 322**	**$ 13,169**
Provisions made during the year	**3,006**	**150**	**2,212**	**3,309**	**-**	**8,677**
Provisions used during the year	**(524)**	**(1,116)**	**(729)**	**(798)**	**-**	**(3,167)**
Provisions reversed in the year	**(4,102)**	**-**	**(856)**	**(2,500)**	**(322)**	**(7,780)**
Balance at December 31, 2012	**$ 4,203**	**$ 636**	**$ 3,588**	**$ 2,472**	**$ -**	**$ 10,899**

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

	December 31, 2012	December 31, 2011
Current portion of provisions	**$ 6,492**	$ 7,294
Long-term provisions	**4,407**	5,875
Total provisions	**$ 10,899**	$ 13,169

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

Expected outflow of resources	**Warranties**	**Restructuring costs**	**Claims and disputes**	**Subcontractor default**	**Total**
2013	$ 4,203	$ 266	$ 2,023	$ -	$ 6,492
2014	-	177	783	-	960
2015	-	166	782	-	948
2016	-	27	-	-	27
2017	-	-	-	-	-
Thereafter	-	-	-	2,472	2,472
	$ 4,203	$ 636	$ 3,588	$ 2,472	$ 10,899

The following table represents the outflow of resources on a discounted basis using a rate between 1.17% to 1.77%:

Expected outflow of resources (DISCOUNTED)	Warranties	Restructuring costs	Claims and disputes	Subcontractor default	Total
2013	$ 4,155	$ 263	$ 2,000	$ -	$ 6,418
2014	-	173	765	-	938
2015	-	161	756	-	917
2016	-	25	-	-	25
2017	-	-	-	-	-
Thereafter	-	-	-	2,074	2,074
	$ 4,155	$ 622	$ 3,521	$ 2,074	$ 10,372

26. LONG-TERM DEBT

	December 31, 2012	December 31, 2011
Current portion of long-term debt		
Finance contracts	**$ -**	$ 598
Finance lease obligations	**828**	805
	$ 828	$ 1,403
Non-current		
Revolving credit facility	**$ 51,596**	$ 59,628
Finance contracts	**-**	10
Finance lease obligations	**313**	795
	$ 51,909	$ 60,433

(a) Revolving credit facility

On July 12, 2010, the Corporation obtained a $200,000, senior secured revolving credit facility with a syndicate of chartered banks. On July 12, 2012, the Corporation entered into an agreement amending the terms and conditions for its credit facility. Changes to the credit facility, which became effective on July 12, 2012, include a 25 basis point reduction in the applicable interest rate, a one-year extension of the facility with a new maturity date of July 12, 2016, an increase in the swingline loan from $10,000 to $15,000 and additional flexibility on consents regarding dividends and acquisitions.

In December 2012, the Corporation entered into an amending agreement for the credit facility. Changes to the credit facility, which became effective on December 21, 2012, modified the financial covenant levels with respect to the Corporation's secured leverage, total leverage and interest coverage as follows:

- Increase in Debt to EBITDA covenant ratio to 3:1;
- Increase in Senior Debt to EBITDA covenant ratio to 3:1 for each quarter ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013; 2.75:1 for the quarter ending December 31, 2013 and 2.5:1 on each quarter thereafter; and
- A decrease in the Interest Coverage ratio to 2.5:1 for each quarter ending December 31, 2012, March 31, 2013 and June 30, 2013; 2.75:1 for the quarter ending September 30, 2013 and 3:1 for each quarter thereafter.

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

Included as part of the credit facility is a swingline loan of $15,000 that entitles the Corporation to enter into an overdraft position. This drawdown must be repaid within seven days of the drawdown date and is therefore classified as current. At December 31, 2012, there was no drawdown on the swingline.

Total finance costs on the credit facility for the year ended December 31, 2012 were $3,720 (2011 – $4,763). These finance costs represent the interest paid on the debt and amortization of the deferred financing charges of $707 for the year ended December 31, 2012 (2011 – $1,068) (Note 10).

(b) Finance contracts

The Corporation did not hold any finance contracts as at December 31, 2012. The previously held finance contracts related to construction and automotive equipment matured within 2012 and bore interest rates between 0.0% and 8.3%, with a weighted average effective interest rate on the contracts of 5.83% per annum. The previously held finance contracts were secured by various construction and automotive equipment with a carrying value of $5,528 at December 31, 2011.

(c) Finance lease obligations

Finance leases relate to construction, automotive, and office equipment, and mature between September 2013 and December 2015 and bear interest at rates between 0.0% and 8.0%, with a weighted average effective interest rate on the contracts of 3.52% per annum (2011 – 5.66%). The Corporation has the option to purchase the equipment under lease at the conclusion of the lease agreements. Finance lease obligations are secured by construction and automotive equipment with a net book value of $846 (2011 - $6,437) and the lessors' title to the leased asset (Note 22).

	Future Minimum Lease Payments		**Present Value of Minimum Lease Payments**	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
Not later than one year	**$ 853**	$ 779	**$ 828**	$ 739
More than 1 year but not later than 5 years	**323**	718	**313**	656
Later than five years	**-**	-	**-**	-
	$ 1,177	$ 1,497	**$ 1,141**	$ 1,395

	Interest	
	December 31, 2012	December 31, 2011
Not later than one year	**$ 25**	$ 40
More than 1 year but not later than 5 years	**10**	62
Later than five years	**-**	-
	$ 35	$ 102

27. CONVERTIBLE DEBENTURES

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

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

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

The Corporation presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the debentures, the Corporation recorded a liability of $76,250, less related offering costs of $2,945. Total finance costs for the year ended December 31, 2012, on $86,250 of debentures were $7,635 (2011 - $7,412). These finance costs represent the 6% coupon on the debentures, accretion related to the portion of the debentures recorded in equity and amortization of deferred financing charges calculated using the effective interest method (Note 10). The residual amount of the equity component at the time of issuance was $10,000 and is included in equity, net of its pro rata share of financing charges and deferred income tax amounts due to the difference between the accounting and tax basis of the liability portion.

		December 31, 2012		December 31, 2011
Principal amount - debt component	**$**	**76,691**	$	74,454
Accretion on convertible debentures		**1,894**		1,724
Amortization of deferred financing fees		**566**		512
Balance at the end of the period	**$**	**79,151**	$	76,691
Principal amount - equity component, end of the period	**$**	**7,100**	$	7,100

28. SHARE-BASED PAYMENTS

(a) Description of share-based payment arrangements

As at December 31, 2012, the Corporation has the following share-based payment arrangements:

(i) Stock options

The Corporation’s stock option plan permits unexercised vested options to be surrendered in exchange for the fair market value of common shares less the option exercise price, or the net settlement. The net settlement value, reduced by estimated income taxes required to be withheld, can be paid out in either common shares or cash and is at the sole discretion of the Board of Directors. Options issued under the plan for employees vest one-third each on the anniversary of the award date in each of the subsequent three years. All stock options awarded to date must be exercised over specified periods not to exceed five years from the date granted.

(ii) Performance share units (“PSUs”)

PSUs are phantom shares that provide eligible participants with an equivalent cash value of common shares. Each grant has a cliff vesting of three years, subject to certain performance criteria. The Corporation has set the PSU performance criteria as comparative Total Shareholder Return (“TSR”) relative to a competitive peer group. When each grant vests at three years, payout can be between 0% and 150% of the vested units, depending on the Corporation’s relative positioning of TSR at December 31st, just prior to the end of the three year period. Each grant of PSUs is individually evaluated regularly with regard to vesting and payout assumptions.

The Corporation will settle the PSUs in cash within 90 days after actual results are determined and reported. The original cost of the PSU is equal to the fair market value at the date of grant.

Changes in the amount of the liability due to fair value changes after the initial grant date at each reporting period are recognized as a compensation expense of the period in which the changes occur.

(iii) Deferred share units ("DSUs")

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

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

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

Option series		Options Outstanding	Expiry Date	Exercise Price	Fair Value At Grant Date	Options Exercisable
(1)	Issued on March 17, 2008	85,828	17-Mar-13	$ 16.05	$ 6.26	85,828
(2)	Issued on August 14, 2008	52,645	14-Aug-13	16.50	6.53	52,645
(3)	Issued on November 19, 2008	89,496	19-Nov-13	6.43	2.89	89,496
(4)	Issued on March 24, 2009	80,167	24-Mar-14	8.08	3.89	80,167
(5)	Issued on July 9, 2009	1,978	09-Jul-14	10.68	5.21	1,978
(6)	Issued on August 21, 2009	86,858	24-Mar-14	13.15	6.50	86,858
(7)	Issued on March 22, 2010	107,427	22-Mar-15	19.63	7.62	71,255
(8)	Issued on July 20, 2010	65,000	20-Jul-15	18.34	8.96	43,333
(9)	Issued on December 10, 2010	15,000	10-Dec-15	17.60	8.12	10,000
(10)	Issued on January 10, 2011	2,353	10-Jan-16	17.78	8.50	784
(11)	Issued on March 22, 2011	226,286	22-Mar-16	19.32	7.59	75,429
(12)	Issued on August 29, 2011	10,000	29-Aug-16	13.98	5.37	3,333
(13)	Issued on September 12, 2011	9,000	12-Sep-16	14.32	5.47	3,000
(14)	Issued on December 13, 2011	30,000	13-Dec-16	10.46	3.63	10,000
(15)	Issued on March 19, 2012	402,203	19-Mar-17	15.48	5.03	-
(16)	Issued on August 17, 2012	115,740	17-Aug-17	8.19	2.16	-
As at December 31, 2012		1,379,981				614,106

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

PSUs		Outstanding Units	Vesting Date	Fair Value At Grant Date
(1)	Issued March 22, 2010	42,896	22-Mar-13	$ 19.63
(2)	Issued July 20, 2010	10,800	20-Jul-13	18.34
(3)	Issued March 22, 2011	67,729	22-Mar-14	19.32
(4)	Issued March 19, 2012	158,022	19-Mar-15	15.50
As at December 31, 2012 [1]		279,447		

[1] Of the PSUs outstanding, none of them were vested as of December 31, 2012.

(c) Stock options

Movement during the years

	December 31, 2012		December 31, 2011	
	Number of Stock Options	**Weighted Average Exercise Price**	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of the year	**1,542,783**	**$ 14.34**	1,131,172	$ 12.81
Granted	**630,161**	**14.14**	424,011	18.45
Forfeited	**(513,187)**	**16.00**	(8,657)	18.41
Surrendered	**(242,776)**	**7.32**	(3,743)	8.50
Expired	**(37,000)**	**18.26**	-	-
Outstanding, end of year	**1,379,981**	**$ 14.76**	1,542,783	$ 14.34

The options outstanding at December 31, 2012 have an exercise price in the range of $6.43 to $19.63 (2011 - $6.43 to $19.63) and a contractual life of 5 years (2011 - 5 years).

Inputs for measurement of grant date fair value

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

Option Series	**Weighted average share price**	**Exercise price**	**Expected volatility**	**Option life**	**Dividend yield**	**Risk-free interest rate**	**Forfeiture rate**
Issued on January 10, 2011	$ 17.78	$ 17.78	60.91%	5	0.0%	2.22%	6%
Issued on March 22, 2011	19.32	19.32	47.58%	5	0.0%	2.29%	6%
Issued on August 29, 2011	13.98	13.98	57.84%	5	2.4%	1.45%	6%
Issued on September 12, 2011	14.32	14.32	57.95%	5	2.4%	1.20%	6%
Issued on December 13, 2011	10.46	10.46	52.20%	5	2.4%	1.10%	6%
Issued on March 19, 2012	15.48	15.48	50.32%	5	3.0%	1.50%	5%
Issued on August 17, 2012	8.19	8.19	50.85%	5	5.9%	1.40%	5%

Compensation costs are recognized over the vesting period as share-based compensation expense and an increase to the share-based payment reserve. When options are exercised, the fair value amount in the share-based payment reserve is credited to share capital. The following table illustrates the movement in the share-based payment reserve:

	December 31, 2012	December 31, 2011
Balance, beginning of the period	**$ 7,636**	$ 4,860
Stock compensation expense	**2,192**	2,818
Stock options forfeited	**(1,795)**	-
Stock options surrendered	**(862)**	(42)
Balance, end of period	**$ 7,171**	$ 7,636

(d) PSU

Movement during the years

	December 31, 2012	December 31, 2011
	Number of Performance Share Units	Number of Performance Share Units
Outstanding, beginning of the year	**340,055**	291,291
Granted	**196,785**	94,177
Forfeited	**(82,267)**	(1,805)
Vested and paid	**(175,126)**	(43,608)
Outstanding, end of year	**279,447**	340,055

(e) DSU

Movement during the years

	December 31, 2012	December 31, 2011
	Number of Deferred Share Units	Number of Deferred Share Units
Outstanding, beginning of the year	**165,434**	97,283
Granted	**242,921**	68,151
Vested and paid	**(780)**	-
Outstanding, end of year	**407,575**	165,434

(f) Stock-based payment liability

		December 31, 2012		December 31, 2011
Carrying amount of liabilities for cash-settled arrangements				
- current portion	**$**	**53**	$	1,881
- long-term portion		**3,734**		2,061
Total carrying amount	**$**	**3,787**	$	3,942
Total intrinsic value of liability for vested benefits	**$**	**2,274**	$	1,753

The PSUs issued in 2009 vested on March 15, 2012 and were paid to unit holders in the first quarter of 2012 at a payout ratio of 109%, totalling $2,963. Included in trade and other payables in the consolidated statements of financial position is the current portion of the PSUs to be paid out within the next twelve months. The long-term portion of PSUs and DSUs of $3,734 at December 31, 2012 (2011 - $2,061) is classified as share-based payments. The total intrinsic value reflects all of the DSUs outstanding, as none of the PSUs have vested.

(g) Stock compensation expense

		December 31, 2012		December 31, 2011
Stock compensation expense on stock options	**$**	**2,192**	$	2,818
Effects of changes in fair value and grants for PSUs		**1,589**		276
Effects of changes in fair value and grants for DSUs		**897**		82
	$	**4,678**	$	3,176

29. SHARE CAPITAL

Common shares and preferred shares

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

	December 31, 2012			December 31, 2011		
	Shares		**Share Capital**	Shares		Share Capital
Common Shares						
Issued, beginning of year	**24,300,019**	**$**	**124,290**	24,133,727	$	120,757
Dividend reinvestment plan	**230,882**		**2,503**	92,718		1,293
Repurchased in the year	**(37,439)**		**(191)**	(53,400)		(274)
Issued in the year	**-**		**-**	126,974		2,514
Issued, end of year	**24,493,462**	**$**	**126,602**	24,300,019	$	124,290

(a) Common shares and dividends

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

On May 25, 2011, Churchill announced that it was implementing a dividend policy. The Corporation declared its seventh quarterly dividend of $0.12 per share, which was paid on January 15, 2013 to shareholders of record on December 31, 2012.

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

As at December 31, 2012, trade and other payables includes $2,940 (2011 - $2,923) related to the dividend payable on January 15, 2013, of which $437 (2011 - $717) is to be reinvested in common shares under the DRIP and the remainder paid in cash.

	December 31, 2012		December 31, 2011	
	Per Share	**Total**	Per Share	Total
Dividend payable, beginning of year	**$ 0.12**	**$ 2,923**	$ -	$ -
Total dividends declared during the year	**0.48**	**11,718**	0.36	8,749
Total dividends paid during the year (1)	**(0.48)**	**(11,701)**	(0.24)	(5,826)
Dividend payable, end of year	**$ 0.12**	**$ 2,940**	$ 0.12	$ 2,923

(1) Includes DRIP non-cash payments totaling $2,504 (2011 - $1,293) which are recorded through share capital.

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

(b) Preferred share reserve

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

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

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

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

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

(c) Normal course issuer bid ("NCIB")

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

During the year ended December 31, 2012, 37,439 (2011 – 53,400) common shares were purchased under the Corporation's NCIB for a total of $400 (2011 – $585) or $10.67 per share (2011 - $10.96 per share).

Of the common shares repurchased during the year, 37,439 were cancelled, resulting in the average carrying value of $192 (2011 - $273) being allocated as a reduction in equity and $208 (2011 - $312) representing the consideration in excess of the assigned value being charged to retained earnings during the year. These shares have been excluded from the calculation of the weighted average common shares outstanding for the year ended December 31, 2012. In addition, the Corporation also cancelled 48,900 shares that were repurchased in 2011.

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

	December 31, 2012	December 31, 2011
Trade and other receivables	**$ 36,675**	$ 10,886
Inventory	**1,241**	401
Prepaid expenses	**527**	528
Costs in excess of billings	**(5,362)**	(10,452)
Trade and other payables	**(48,005)**	16,806
Contract advances and unearned income	**(15,067)**	(17,343)
	$ (29,991)	$ 826

31. FINANCIAL INSTRUMENTS

(a) Carrying values

	December 31, 2012	December 31, 2011
Financial assets:		
Cash and cash equivalents	**$ 33,774**	$ 59,445
Trade and other receivables	**309,097**	345,772
Service provider deposit - long-term portion	**4,008**	6,066
Long-term receivable, including current portion	**275**	834
Financial liabilities:		
Trade and other payables	**$ 233,442**	$ 283,857
Long-term debt, including current portion	**52,737**	61,836
Convertible debentures - debt component	**79,151**	76,691

(b) Fair values

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

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

The fair value of the liability component of the convertible debentures is $79,735 at December 31, 2012, which is based on an average market yield rate of 9.7% determined from marketable debentures traded with similar terms.

The Corporation completed its fuel derivative contracts in 2012 (fair value of fuel derivative instrument assets at December 31, 2011 – $21). Changes in the value of the fuel derivative instruments were recorded within prepaid expenses in the statements of financial position, and other income in the statements of (loss) earnings.

Fair value hierarchy

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

(c) Financial risk management

(i) Credit risk

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

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

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

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

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

		December 31, 2012		December 31, 2011
Balance at beginning of the year	**$**	**1,993**	$	3,685
Impairment losses recognized on receivables		**877**		295
Amounts written off during the period as uncollectible		**(898)**		(793)
Amounts received during the year		**51**		(1,017)
Impairment losses reversed		**(434)**		(176)
Balance at the end of the year	**$**	**1,589**	$	1,993

Trade receivables shown on the statement of financial position include the following amounts that are current and past due at the end of the reporting period. The Corporation does not hold any collateral over these balances and does not have a legal right of offset against any amounts owed by the Corporation to the counterparty. The terms and conditions established with individual customers establish whether or not the receivable is past due.

		December 31, 2012		December 31, 2011
Current	**$**	**91,727**	$	173,958
1-60 days past due		**77,119**		43,962
61-90 days past due		**17,078**		6,665
More than 90 days past due		**29,822**		9,687
	$	**215,746**	$	234,272

In determining the quality of trade receivables, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Corporation had $29,822 of trade receivables which were greater than 90 days past due with $28,233 not provided for as at December 31, 2012 (2011 - $9,687). Of the total, $20,700 (69%) was concentrated in six customer accounts and of this amount $18,676 remained outstanding as of March 17, 2013. The six customers are considered to be credit-worthy and there are presently no concerns regarding collectability of these accounts. Trade receivables are included in trade and other receivables on the statements of financial position.

(ii) Interest rate risk

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

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

		December 31, 2012		December 31, 2011
Fixed rate instruments				
Financial liabilities	**$**	**79,151**	$	76,691
Variable rate instruments				
Financial assets	**$**	**33,774**	$	59,445
Financial liabilities		**52,737**		61,836

Fixed rate sensitivity

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

Variable rate sensitivity

A change of 100 basis points in interest rates at the reporting date would have increased or decreased equity and profit or loss by $252 (2011 - $422) related to financial assets and by $393 (2011 - $439) related to financial liabilities.

(iii) Liquidity risk

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

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

The following are the contractual obligations, including interest payments as at December 31, 2012, in respect of the financial obligation of the Corporation. Interest payments on the revolving credit facility have not been included in the table below since they are subject to variability based upon outstanding balances at various points throughout the year.

	Carrying amount	Contractual cash flows	0 - 6 months	6 - 12 months	12 - 24 months	After 24 months
Trade and other payables	**$ 233,442**	$ 233,442	$ 233,442	$ -	$ -	$ -
Provisions including current portion	**10,899**	10,899	3,246	3,246	961	3,446
Convertible debentures	**79,151**	99,188	2,588	2,588	5,175	88,838
Long-term debt including current portion	**52,737**	52,773	427	427	81	51,839
Lease commitments	**68,515**	68,515	2,992	2,992	7,543	54,987
	$ 444,744	$ 464,816	$ 242,696	$ 9,253	$ 13,760	$ 199,109

(iv) Fuel price risk management

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

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

32. CAPITAL MANAGEMENT

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

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

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

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

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

		December 31, 2012		December 31, 2011
Long-term indebtedness:				
Long-term debt, excluding current portion net of deferred financing fees	**$**	**51,909**	$	60,433
Convertible debentures - debt component net of deferred financing fees		**79,151**		76,691
Total long-term indebtedness		**131,060**		137,124
Total equity		**235,150**		309,141
Total capitalization	**$**	**366,210**	$	446,265
Indebtedness to capitalization percentage		**36%**		31%

The Corporation targets a long-term indebtedness to EBITDA ratio of 1.5x to 3.0x over a three to five-year planning horizon. At December 31, 2012, the long-term indebtedness to EBITDA was 3.31x (2011 – 1.88x) calculated on a trailing twelve-month basis as follows:

	December 31, 2012	December 31, 2011
Total long-term indebtedness	**$ 131,060**	$ 137,124
Net earnings and comprehensive income	**$ (61,862)**	$ 24,942
Add:		
Finance costs	**11,578**	12,493
Income tax expense	**(1,888)**	8,518
Depreciation and amortization	**27,170**	26,924
Impairment loss	**64,600**	-
EBITDA	**$ 39,598**	$ 72,877
Long-term indebtedness to EBITDA ratio	**3.31x**	1.88x

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

The Corporation also manages its capital through a rolling forecast of financial position and expected operating results. In addition, the Corporation establishes and reviews operating and capital budgets and cash flow forecasts in order to manage overall capital with respect to financial covenants. The Corporation's revolving credit facility is subject to the covenants described below. The covenants listed below are measured each quarter on March 31, June 30, September 30 and December 31. The Corporation was in full compliance with its credit facility covenants at December 31, 2012 and December 31, 2011. For the years ending 2012 and 2013, the Corporation's financial covenants are as follows:

- Working capital – Working capital represents total current assets less total current liabilities as classified on the consolidated statements of financial position. The Corporation's working capital ratio cannot be less than 1.1:1.
- Interest coverage – Interest coverage represents the ratio of EBITDA to interest expense for the 12 months ending as at the end of the fiscal quarter. For the purposes of the revolving credit facility, EBITDA is defined as earnings or loss before interest, income taxes, depreciation and amortization, non-cash gains and losses from financial instruments, stock based compensation and any other non-cash items deducted in the calculation of net earnings. The Corporation's interest coverage ratio must exceed 2.5:1 for each quarter on December 31, 2012, March 31, 2013 and June 30, 2013; 2.75:1 for the quarter ending September 30, 2013 and 3:1 for each quarter thereafter.
- Debt to EBITDA – Debt represents total indebtedness and total obligations of the Corporation and its subsidiaries, excluding convertible debentures. The Corporation's total debt to EBITDA ratio cannot exceed 3:1.
- Senior Debt to EBITDA – Senior Debt represents all debt other than subordinated or unsecured debt. The Corporation's senior debt to EBITDA cannot exceed 3:1 for each quarter on December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013; 2.75:1 for the quarter ending December 31, 2013 and 2.5:1 on each quarter thereafter.

33. PRINCIPAL SUBSIDIARIES

Details of the Corporation's principal operating subsidiaries at December 31, 2012 are as follows:

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

34. RELATED PARTY TRANSACTIONS

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

In the year ended December 31, 2011, the Corporation incurred legal fees with a law firm of which Brian W.L. Tod, a Director of the Corporation, is counsel and a former partner. The amount incurred in 2011 was $175, and $1 of this amount was included in accounts payable at December 31, 2011. Effective June 30, 2011, Mr. Tod retired as a partner from the law firm. As such, the law firm is no longer a related party for the year ended December 31, 2012.

The Corporation incurred facility costs during the year ended December 31, 2012 of $136 (2011 – $155) for the rental of a building that is 50% owned by Schneider Investments Inc., a company owned by George Schneider, a Director of the Corporation.

The Corporation incurred facility costs during the year ended December 31, 2012 of $432 (2011 - $424) related to the rental of a building owned by Broda Holdings (2009) Inc., a company owned by the president of Broda. At December 31, 2012, $29 is included in trade payables (2011 - $7).

35. OPERATING LEASE ARRANGEMENTS

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

Non-cancellable operating lease commitments:

	December 31, 2012	December 31, 2011
Not later than 1 year	**$ 8,044**	$ 5,438
Later than 1 year and not later than 5 years	**26,496**	22,829
Later than 5 years	**36,034**	21,238
	$ 70,574	$ 49,505

Payments recognized as expense:

	December 31, 2012	December 31, 2011
Minimum lease payments	**$ 6,950**	$ 4,350
Sub-lease payments received	**(448)**	(228)
	$ 6,502	$ 4,122

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

36. CONTINGENCIES, COMMITMENTS AND GUARANTEES

(a) Contingencies

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

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

(b) Commitments and guarantees

The Corporation completed its non-discretionary five year commitment of $1,000 to Southern Alberta Institute of Technology ("SAIT") Polytechnic in 2012 and had no related accrued liability as at December 31, 2012 (2011 - $300).

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

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

(c) Letters of credit

The Corporation has provided several letters of credit in the amount of $15,646 in connection with various projects and joint ventures (2011 - $23,926), of which $6,500 are financial letters of credit (2011 - $nil). These letters of credit are issued utilizing the credit facilities of the Corporation; however, only the financial letters of credit reduce the maximum availability under the revolving credit facility.

37. EVENTS AFTER THE REPORTING PERIOD

On March 17, 2013, Churchill's Board of Directors declared a common share dividend of $0.12 per share. The dividend is designated as an eligible dividend under the Income Tax Act (Canada) and is payable April 16, 2013 to shareholders of record on March 29, 2013.