AECON
NOW.
AECON GROUP INC.
2015 ANNUAL REPORT
AECON

COVER: DARLINGTON NUCLEAR REFURBISHMENT PROJECT, ONT.

THIS PAGE: THE CAPE SHARP TIDAL PROJECT, N.S.
AECON IS RESPONSIBLE FOR FABRICATION AND ASSEMBLY OF TWO TURBINES AND A DEPLOYMENT AND RECOVERY BARGE
DARREN PITTMAN/IMAGES EAST PHOTOGRAPHY

When it's a mission-critical build, Aecon is there. Every project we've completed, every expansion we've led and every line of business we've built has brought us to Aecon NOW. A sophisticated company with a diverse portfolio of work, flexible capabilities, and resiliency.

AECON.COM/NOW2015AR

DEAR FELLOW SHAREHOLDERS

—

We are pleased to write to you about a watershed year for Aecon – a year which marked further progress on revenue growth in each of our operating segments, improved margin performance, and saw further strengthening of our balance sheet.

The year was capped by the successful completion of the sale of Aecon's interest in the Quito airport and a new record year-end backlog position of $3.3 billion. For the fifth consecutive year, Aecon's Board of Directors approved an increase in the annual dividend to 46 cents per share from 40 cents per share.

This success has been driven by a focus on both the pursuit of large-scale, sophisticated projects with key clients in our core end-markets, as well as continued execution performance with a seamless operating platform – which brings us to Aecon NOW.

Through challenging market conditions, Aecon's share price has demonstrated resiliency as we saw Aecon's diversification strategy take hold. Aecon has unparalleled turnkey capabilities in the diverse markets we serve, as profiled in the following pages, where the significant breadth of projects our talented teams are working on for our clients are showcased. These projects include two of the largest contract awards in Aecon's history – the Darlington Nuclear Refurbishment project (as seen on the cover) and the Eglinton Crosstown Light Rail Transit (LRT) project, both in Ontario.

For the upcoming year, our strategy remains focused on execution and operational excellence with five particular approaches to make our company all the more prepared to deliver strong results:

SAFETY FIRST We are committed to further improving our industry-leading safety program with a focus on evolving our behaviour-based initiatives.

SHAREHOLDER VALUE Targeting world-class margins through efficiencies and discipline to drive improved returns for our shareholders.

INNOVATION Exploring the next frontier in emerging technology accelerators through our newly formed Innovation Council.

PARTNERING Building partnerships and alliances to increase Aecon's participation in larger, more complex projects.

SUSTAINABILITY Delivering sustainable integrated services and solutions to meet our clients' needs including the expansion of our green energy capabilities – all the while being sensitive to the communities and environments in which we operate.

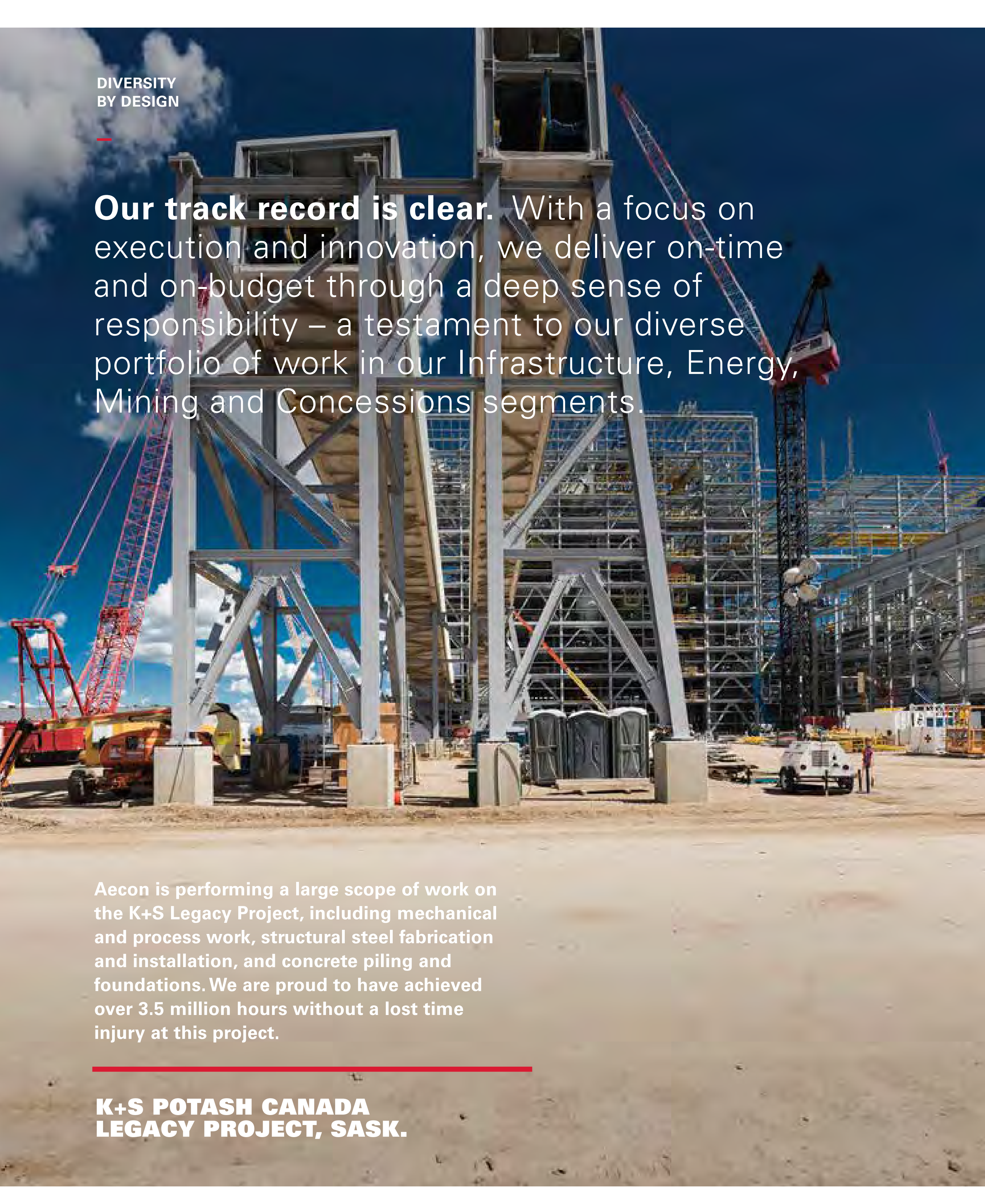
Aecon remains ready to build the key projects that are critical to Canada's future, as all levels of government commit to increased infrastructure investment for public transit, roads and bridges, water and wastewater projects and green infrastructure. In the Energy segment, we expect solid demand for our utilities, gas distribution and compression, and nuclear services, to offset the weaker oil market. Through 2016, our Mining segment has a strong backlog profile secured in process installations, as well as continued recurring revenue in contract mining. Our Concessions segment continues to focus on the significant number of Public-Private Partnership opportunities in Canada and internationally.

On June 7, we hope you can attend our Annual General Meeting, either in person or virtually, to be hosted in Vancouver in celebration of the opening of our new Pacific Headquarters.

As we move forward, Aecon's record backlog position, improving margins, and strong balance sheet provide confidence in our continued progress, while our diverse, flexible, and resilient business model has solidly aligned Aecon to respond to the robust opportunities before us.

John M. Beck
Executive Chairman

Terrance L. McKibbon
President and CEO


DIVERSITY
BY DESIGN

Our track record is clear. With a focus on execution and innovation, we deliver on-time and on-budget through a deep sense of responsibility – a testament to our diverse portfolio of work in our Infrastructure, Energy, Mining and Concessions segments.

Aecon is performing a large scope of work on the K+S Legacy Project, including mechanical and process work, structural steel fabrication and installation, and concrete piling and foundations. We are proud to have achieved over 3.5 million hours without a lost time injury at this project.

K+S POTASH CANADA
LEGACY PROJECT, SASK.

A model Public-Private Partnership (P3) project for the industry, Aecon is converting the Regina lagoon treatment plant into a new sophisticated biological nutrient removal treatment facility.

REGINA WASTEWATER TREATMENT PLANT, SASK.

The first P3 hydroelectric project in Canada, the John Hart Generating Station will provide reliable, clean power for the region. Aecon's JV is constructing the new water intake, tunnel and water bypass facility, and a new underground generating station.

JOHN HART GENERATING STATION, B.C.

Aecon is involved in the full scope of the design, build, finance, operation and maintenance of the Waterloo LRT system, including 19 kilometres of dual track system, 16 LRT stops, and the operations, maintenance and storage facility.

REGION OF WATERLOO'S ION STAGE 1 LRT PROJECT, ONT.

Aecon's JV has worked on the definition phase of the project for four years, and will now carry out the execution phase of the refurbishment project. Over 200 Aecon employees are involved in this exciting zero-emissions energy project.

DARLINGTON NUCLEAR REFURBISHMENT PROJECT, ONT.

Aecon is an equal partner in the $5.3-billion Crosslinx consortium to develop the Eglinton Crosstown LRT project in Toronto. Crosslinx is responsible for the design, build, finance, maintenance and life cycle activities of the 19-kilometre, 25-station and stop Eglinton Crosstown LRT line for a 30-year term.

METROLINX'S EGLINTON CROSSTOWN LRT PROJECT, ONT.

BUILDING THINGS THAT MATTER.

FORT HILLS, ALTA.— HEAVY CIVIL CONSTRUCTION

WE BUILD WHAT MATTERS TO CANADA AND THAT MATTERS TO US

Aecon strives to deliver projects that support our economy and society in ways that are sensitive to the communities in which we operate. We are proud to build things that matter – from the roads and transit systems to get Canadians to work every day, to the communication channels we depend on, to the energy systems that light homes, and the utilities that keep them warm.

Read about Aecon's green and social responsibility initiatives by visiting socialresponsibility.aecon.com.

ONE OF CANADA'S BEST EMPLOYERS FOR THE NINTH YEAR RUNNING

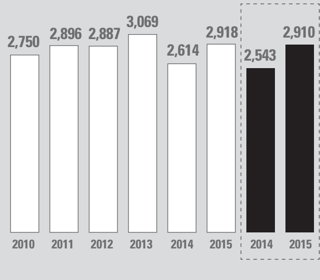
We have the best talent in the industry and we know how to work as a team. Most of all, we know how to get the best from our people by making sure they get the best from us. Visit aecon.com/careers today.

SAFETY COMES FIRST – ALWAYS.

At Aecon, safety is our first priority and number one core value – and our program is based on leading safety techniques and continuous improvement. In 2015, we self-performed 19.2 million hours of work and completed thousands of leading indicators that helped us to see another year of improvement in all aspects of safety performance. Learn more about our commitment to our "Safety First" core value by visiting aecon.com/safetyfirst.

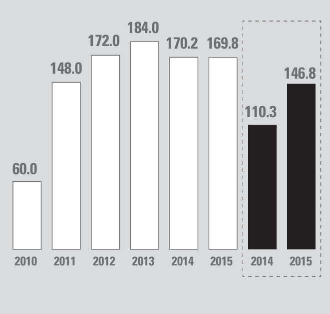
SIX-YEAR FINANCIAL PERFORMANCE

REVENUE
($ Millions)



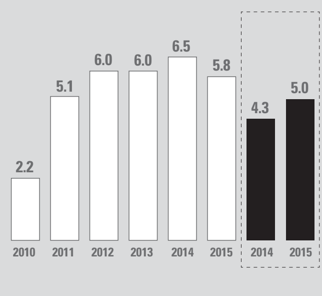
AS REPORTED
LIKE-FOR-LIKE [2]

ADJUSTED EBITDA[1]
($ Millions)



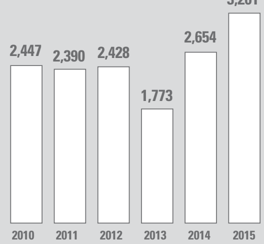
AS REPORTED
LIKE-FOR-LIKE [2]

ADJUSTED EBITDA MARGIN[1]
(per cent)

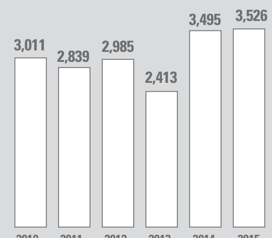


AS REPORTED
LIKE-FOR-LIKE [2]

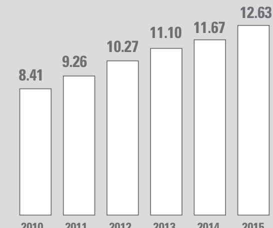
YEAR-END BACKLOG
($ Millions)



NEW CONTRACT AWARDS
($ Millions)

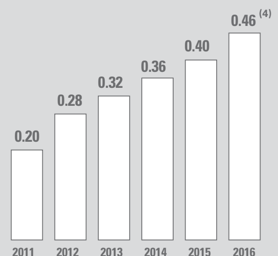


BOOK VALUE PER SHARE[3]
(diluted) ($ per share)



2015 REVENUE BY SEGMENT

ANNUAL DIVIDENDS PER SHARE
($ per share)



FINANCIAL HIGHLIGHTS

For the year ended December 31

(in millions of Canadian dollars, except per share amounts)	**2015**	2014
	$	$
Revenue	**2,918.1**	2,614.1
Adjusted EBITDA*	**169.8**	170.2
Operating profit*	**142.6**	63.7
Profit	**68.7**	30.0
Adjusted profit*	**68.5**	21.8
Backlog	**3,261**	2,654
Results on a like-for-like basis(2)		
Revenue	**2,910.1**	2,542.8
Adjusted EBITDA*	**146.8**	110.3
Adjusted EBITDA Margin*	**5.0%**	4.3%
Earnings per share		
Basic	**1.22**	0.55
Diluted	**1.03**	0.51
Adjusted earnings per share*		
Basic	**1.22**	0.40
Diluted	**1.03**	0.40
Dividends per share	**0.40**	0.36
Weighted average number of shares outstanding (in millions)		
Basic	**56.4**	54.1
Diluted	**80.7**	84.3

1. Adjusted EBITDA represents operating profit adjusted to exclude depreciation and amortization, the gain (loss) on sales of assets and investments, restructuring costs, gain (loss) on mark-to-market adjustments related to the Company's long-term incentive plan ("LTIP") program, and net income (loss) from projects accounted for using the equity method, but including "JV EBITDA" from projects accounted for using the equity method. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue.

2. The sale of Innovative Steam Technologies Inc. ("IST') in April 2015 and Aecon's investment in the Quito airport concession in December 2015, including the classification of the Quito airport concession as "held for sale" from June 8, 2015, have impacted Aecon's results for the year ended December 31, 2015 when compared to the prior year. Revenue, Adjusted EBITDA, and Adjusted EBITDA Margin presented on a like-for-like basis adjusts amounts as originally reported to exclude Revenue, Adjusted EBITDA, and Adjusted EBITDA Margin from IST and the Quito airport concession.

3. Book Value Per Share (diluted) is calculated as shareholders' equity plus the increase in shareholders' equity if options and convertible debentures in the money are exercised and/or converted plus officer share purchase loans plus the book value of shares held by the LTIP Trust, all divided by shares outstanding at year end (diluted). Shares outstanding at year end (diluted) represent the number of shares issued at the end of the year plus the number of shares issuable if options and convertible debentures in the money were exercised and/or converted plus the number of shares held by the LTIP Trust.

4. As approved by Aecon's Board of Directors on March 1, 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Operating results and financial condition ("MD&A")

DECEMBER 31, 2015

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The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon" or the "Company") should be read in conjunction with the Company's December 31, 2015 consolidated financial statements and notes. This MD&A has been prepared as of March 1, 2016. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

INTRODUCTION

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

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

INFRASTRUCTURE

Sector	Service Focus
Transportation	• Roads and bridges • Rail and transit • Asphalt production and aggregates • Municipal construction • Commercial site design • Material engineering and design
Heavy Civil	• Hydroelectric • Tunnels and transit stations • Foundations • Airports • Marine • Major civil transportation infrastructure
Social Infrastructure	• Water treatment facilities • Mechanical systems

The Energy segment encompasses a full suite of service offerings to the energy sector including industrial construction and manufacturing activities such as in-plant construction, site construction and module assembly. The activities of the Energy segment are concentrated predominately in Canada. The Energy segment focuses primarily on the following sectors:

ENERGY

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

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

MINING

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

Activities within the Concessions segment include the development, financing, construction and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. The Concessions segment focuses primarily on the following activities:

CONCESSIONS

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

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

FORWARD-LOOKING INFORMATION

The information in this Management's Discussion and Analysis includes certain forward-looking statements. Although these forward-looking statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and uncertainties. In addition to general global events outside Aecon's control, there are factors which could cause actual results, performance or achievements to vary from those expressed or inferred herein including risks associated with an investment in the common shares of Aecon and the risks related to Aecon's business, including Large Project Risk and Contractual Factors. Risk factors are discussed in greater detail in the section on "Risk Factors" later in this MD&A. Forward-looking statements include information concerning possible or assumed future results of Aecon's operations and financial position, as well as statements preceded by, followed by, or that include the words "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or similar expressions. Other important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause its results to differ materially from those expressed in any forward-looking statements. Aecon assumes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

FINANCIAL REPORTING STANDARDS

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

NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES

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

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

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

Non-GAAP Financial Measures

Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP in the consolidated financial statements.

- **"Adjusted EBITDA"** represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sales of assets and investments, restructuring costs, gain (loss) on mark-to-market adjustments related to the Company's long-term incentive plan ("LTIP") program, and net income (loss) from projects accounted for using the equity method, but including "JV EBITDA" from projects accounted for using the equity method.
- **"JV EBITDA"** represents Aecon's proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization, net financing expense and income taxes.
- **"Adjusted EBITDA margin"** represents Adjusted EBITDA as a percentage of revenue.
- **"Adjusted profit (loss)"** represents the profit (loss) adjusted to exclude the after-tax fair value gain (loss) on the embedded derivative portion of convertible debentures.
- **"Adjusted earnings (loss) per share"** represents earnings (loss) per share calculated using Adjusted profit (loss).
- **"Backlog"** means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract respecting such work is reasonably assured. Operations and maintenance ("O&M") activities are provided under contracts that can cover a period of up to 30 years. In order to provide information that is comparable to the backlog of other categories of activity, Aecon limits backlog for O&M activities to the earlier of the contract term and the next five years.

Additional GAAP Financial Measures

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

- **"Gross profit"** represents revenue less direct costs and expenses. Not included in the calculation of gross profit are marketing, general and administrative expenses ("MG&A"), depreciation and amortization, income or losses from construction projects accounted for using the equity method, foreign exchange, interest, gains or losses on the sale of assets, income taxes, and non-controlling interests.
- **"Gross profit margin"** represents gross profit as a percentage of revenue.
- **"Operating profit (loss)"** represents the profit (loss) from operations, before net financing expense, income taxes and non-controlling interests.
- **"Operating margin"** represents operating profit (loss) as a percentage of revenue.

BUSINESS STRATEGY

Aecon's overall strategic goal is to be a world class construction and infrastructure development company that safely, profitably, and sustainably delivers integrated services, products and solutions to meet its customers' needs.

CURRENT POSITION

Aecon has made significant progress over the past 10 years, initially building scale in core markets, then achieving geographic and end market diversity, and in more recent years focusing on a strategic path that builds a culture of operating excellence and consistent performance in executing large, sophisticated turnkey projects for clients, all around the strong foundation of the concept of "One Aecon." This is highlighted by investment in and deployment of a common management and systems platform and enhanced project risk management and controls, which together help enable a "One Aecon" approach to three key end markets: Infrastructure, Energy and Mining, supported by the capabilities of the Concessions segment. Today, Aecon has an unrivalled ability to provide a comprehensive suite of construction, contracting and infrastructure development services across Canada, providing a superior proposition to its clients. Looking forward, the core of Aecon's strategy continues to be to differentiate its service offering in its key end markets, which leads to opportunities to secure projects that lead to higher overall returns by increasing the sophistication of the work being performed and limiting the ability of others to match what Aecon delivers to its clients.

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

1. Invest in Aecon's People and their Safety

The Company is committed to the development of its 12,000 strong employees in order to build upon its leadership position in the sector and drive to be Canada's premier construction and infrastructure development company. This cornerstone is especially important as competition in Canada for skilled workers, engineers and project managers can be intense.

Initiatives are being undertaken to strengthen practices – within corporate and the operating segments – related to recruitment, training, leadership development, and building a 'performance and learning culture'. Aecon University continues to be an innovative vehicle for employees to access the full range of learning, technical and development opportunities across the Company.

Aecon's investment in its employees was recognized again in 2016, ranked as one of the Best Employers in Canada for the ninth straight year by Aon. Aecon is pleased to have received the highest ranking of platinum for being in the top 25 per cent of companies surveyed.

A company's ability to demonstrate that it has industry-leading safety programs and a culture that puts safety first is an important competitive differentiator in the construction industry. For many clients, most notably in the industrial sector, particularly resources and commodity-related projects, a contractor's demonstrated commitment to safety throughout the organization is as important to selecting a contractor as their commitment to schedule, quality and price. This focus on safety is one of the reasons that maintaining and strengthening our industry leading safety program and culture is a key element of Aecon's business strategy.

With leadership and commitment from Aecon's executive team, down to each individual employee, Aecon's continued emphasis on health and safety programs yielded another year of safety improvement in 2015. With a strong focus on leading indicators and activities such as the safety opportunity program, risk reviews for all field activities, and focused safety inspections across all project sites, Aecon continues to achieve very positive outcomes. This overriding commitment and participation throughout the organization saw Aecon perform over 22.8 million person-hours of work in 2015 with one lost time injury, with a reduction in the non-lost time injury rate (medical aids and first aids) to another record low for the Company of 4.32 per 200,000 hours worked.

2. Profitability

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

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

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

The Company has set a goal of ongoing Adjusted EBITDA margin improvement. A focus on the bottom line rather than just top line growth and on operational metrics to manage business performance in line with world-class margins, combined with a focus on cash management and capital discipline, is designed to deliver superior shareholder value.

Going forward three main factors are expected to drive a higher margin mix of business and a culture of excellence in operational performance:

a) Leading partnerships and/or participating in larger scale, longer-term, more complex projects which drive higher margin, a trend that has seen revenue from joint arrangements and associates grow to approximately 25% of total revenue and further evidenced by Aecon recently securing the two largest contracts in its history, the six year, $5.3 billion Eglinton Crosstown Light Rail Transit project ("Eglinton Crosstown LRT") in which Aecon is a 25% participant through its Infrastructure and Concessions segments, and the ten-year, $2.75 billion Darlington nuclear refurbishment project in which Aecon is a 50% participant through its Energy segment;

b) Achieving operational efficiencies and synergies from an ongoing focus on risk management, information technology and project control initiatives designed to ensure a more consistent and improved conversion of bid margin into final executed contract margin. The Company tracks a number of metrics evidencing the success of these initiatives, including the percentage of projects achieving bid margin, average deviation from bid

margin, and overall margin realization percentage at many different levels of the Company and its operating business units; and

c) Recovery of margin in the Energy segment, which dropped from an Adjusted EBITDA margin of 5.8% in 2014 to 3.6% in 2015. This recovery, which is expected to be underway in 2016, reflects the mix of work in backlog and the nature of recurring revenue contracts and associated work programs in 2016 and beyond.

3. Building Partnerships and Alliances

Aecon has developed a strategy of building strong partnerships and alliances, including joint arrangements and public private partnerships. The importance within the industry of a company's ability to develop and manage creative relationships and alliances has provided opportunities for innovative companies such as Aecon to grow their business. In 2015, over one-third of Aecon's revenue came from larger, more complex projects (over $100 million) and this proportion is expected to grow.

Aecon's partnering skills have enabled it to capitalize on a number of opportunities such as its participation in the Eglinton Crosstown LRT and the Waterloo Region Light Rapid Transit projects in Ontario, the execution phase of the Darlington Refurbishment project in Ontario, Regina's new Wastewater Treatment Plant, the John Hart hydroelectric project in British Columbia, and the North East Anthony Henday ring road project in Edmonton, to name but a few. These and other alliances have given Aecon access to projects that are beyond any one contractor's capabilities to deliver alone. These partnerships also provide Aecon and its partners with an opportunity for exchanging and optimizing best practices with others in the industry.

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

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

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

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

Particular focus for 2016

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

- ✓ Continued progress on initiatives outlined above towards meeting Aecon's goal of ongoing improvement in Adjusted EBITDA margin;
- ✓ Continue to capitalize on the "One Aecon" strategy by leveraging tools and incentives to drive co-ordination and cooperation between the Infrastructure, Energy, Mining and Concessions segments for large, multi-disciplinary project opportunities;
- ✓ Build upon Aecon's expertise in the P3 space by successfully participating in targeted strategic concession opportunities in Canada and on a select basis internationally, as well as developing a strategy to drive future participation in the developing P3 market in the U.S.;
- ✓ Focus on successful ramp up and execution of recently secured large project wins in conjunction with Aecon's partners;
- ✓ Build upon the deployment in 2015 of standardized core operating and transactional processes and an integrated Enterprise Resource Planning ("ERP") system to drive operational excellence through the use of timely and insightful data; and
- ✓ Build upon the launch in 2015 of the Risk Evaluation Committee to monitor cost and schedule performance, and evaluation of all major projects by Aecon's senior management team, by establishing a Risk Committee of Aecon's Board of Directors.

CONSOLIDATED FINANCIAL HIGHLIGHTS

	Three months ended December 31		Year ended December 31	
$ millions (except per share amounts)	2015	2014[(1)]	2015	2014[(1)]
	$	$	$	$
Revenue	**874.3**	**722.2**	**2,918.1**	**2,614.1**
Gross profit	95.2	97.7	298.1	271.0
Marketing, general and administrative expenses	(44.9)	(41.1)	(169.8)	(163.7)
Income from projects accounted for using the equity method	3.1	10.9	22.3	33.0
Foreign exchange gain (loss)	–	(0.2)	(0.8)	0.2
Gain (loss) on sale of assets	0.4	(0.1)	1.4	(1.0)
Gain on sale of IST and Quito airport concession investment	48.8	–	62.9	–
Restructuring cost	–	(6.5)	–	(9.0)
Loss on mark-to-market of LTIP program	–	(2.6)	(3.4)	(3.2)
Depreciation and amortization	(17.0)	(17.3)	(68.0)	(63.6)
Operating profit	**85.6**	**40.9**	**142.6**	**63.7**
Financing expense, net	(6.7)	(5.8)	(29.0)	(39.4)
Fair value gain on convertible debentures	–	1.8	0.2	11.2
Profit before income taxes	**78.9**	**36.9**	**113.9**	**35.4**
Income tax expense	(31.2)	(8.3)	(45.2)	(5.4)
Profit	**47.7**	**28.6**	**68.7**	**30.0**
Profit	**47.7**	**28.6**	**68.7**	**30.0**
Exclude:				
Fair value gain on convertible debentures	–	**(1.8)**	**(0.2)**	**(11.2)**
Income tax on debenture fair value gain	–	**0.5**	–	**3.0**
Adjusted profit	**47.7**	**27.3**	**68.5**	**21.8**
Gross profit margin	**10.9%**	**13.5%**	**10.2%**	**10.4%**
MG&A as a percent of revenue	**5.1%**	**5.7%**	**5.8%**	**6.3%**
Adjusted EBITDA	**57.3**	**75.9**	**169.8**	**170.2**
Adjusted EBITDA margin	**6.6%**	**10.5%**	**5.8%**	**6.5%**
Operating margin	**9.8%**	**5.7%**	**4.9%**	**2.4%**
Earnings per share – basic	**0.84**	**0.51**	**1.22**	**0.55**
Earnings per share – diluted	**0.68**	**0.39**	**1.03**	**0.51**
Adjusted earnings per share – basic	**0.84**	**0.49**	**1.22**	**0.40**
Adjusted earnings per share – diluted	**0.68**	**0.39**	**1.03**	**0.40**
Backlog			**3,261**	**2,654**

(1) Certain comparative amounts for 2014 have been reclassified to conform to the presentation adopted in the current year. For more information, refer to Note 32 of the December 31, 2015 consolidated financial statements.

Revenue for the year ended December 31, 2015 was higher by $304 million compared to 2014 with increases reported in all segments. In the Mining segment, revenue was higher by $190 million, with increases in site installation work in the commodity mining sector ($214 million) and civil and foundations work related to mining projects ($28 million), partially offset by lower revenue from contract mining ($52 million). Higher revenue in the Infrastructure segment of $87 million came from heavy civil ($68 million) and transportation operations ($37 million), offset in part by lower revenue from social infrastructure operations ($17 million). In the Energy segment, revenue was higher by $17 million, with increases in industrial operations ($207 million) offset by lower revenue in utilities operations ($190 million) mainly due to lower volume from pipeline projects in Western Canada. Revenue from industrial operations in the Energy segment was impacted by lower revenue from Innovative Steam Technologies ("IST") ($63 million), which was sold on April 10, 2015.

Operating profit of $142.6 million for the year ended December 31, 2015 improved by $78.9 million compared to 2014. Contributing to this performance in 2015 was an increase in gross profit of $27.0 million with the largest increase occurring in the Mining segment ($30.9 million) due to higher volume in the commodity mining sector and higher volume and gross profit margin from civil and foundations work related to mining projects. Gross profit also increased in the Infrastructure segment ($19.7 million) mainly from higher volume and gross profit margin in transportation and from higher gross profit margin in social infrastructure operations which more than offset lower gross profit margin in heavy civil. Partially offsetting higher gross profit in the Mining and Infrastructure segments was lower gross profit in the Energy segment ($23.7 million) due primarily to lower volume in utilities operations as well as lower gross profit in industrial operations due to lower gross profit margin and the sale of IST in April 2015.

Marketing, general and administration expenses ("MG&A") increased by $6.2 million in 2015 compared to 2014 but MG&A as a percentage of revenue decreased from 6.3% to 5.8%. The increase in MG&A was driven primarily by higher volume in 2015 and higher personnel and incentive costs across each of the segments, partially offset by lower bid costs.

Aecon's participation in projects which are classified for accounting purposes as a joint venture or an associate, as opposed to a joint operation, are accounted for using the equity method of accounting. In 2015, Aecon reported income of $22.3 million from projects accounted for using this method of accounting, a decrease of $10.7 million as compared to 2014. Most of the decrease occurred in Concessions ($10.0 million) and was primarily the result of lower reported income from the Quito airport concession operations. From June 8, 2015 until it was sold on December 10, 2015, Aecon's investment in the Quito airport concessionaire was classified as "held for sale" on its consolidated balance sheet and all equity accounting for the joint venture ceased during this period.

In 2015, Aecon realized gains on the disposal of subsidiaries and joint venture investments totaling $62.9 million. A gain of $48.8 million was recorded in the Concessions segment as a result of the sale on December 10, 2015 of its 45.5% share in the Quito airport concession. In addition, Aecon realized a gain in the Energy segment in the second quarter of 2015 of $14.1 million as a result of the sale on April 10, 2015 of its wholly owned subsidiary, IST.

The sale of IST in April 2015 and Aecon's investment in the Quito airport concession in December 2015, including the classification of the Quito airport concession as "held for sale" from June 8, 2015, have impacted Aecon's results for the three months and year ended December 31, 2015 when compared to the same periods in the prior year. A summary of these impacts is included below:

	Three months ended December 31			Year ended December 31		
$ millions	**2015**	2014	Change	**2015**	2014	Change
	$	$	$	**$**	$	$
Revenue as reported	**874.3**	722.2	152.1	**2,918.1**	2,614.1	304.0
Exclude:						
IST & Quiport Revenue	–	22.8	(22.8)	8.0	71.3	(63.3)
Revenue excluding IST & Quiport	**874.3**	699.4	174.9	**2,910.1**	2,542.8	367.3
Adjusted EBITDA as reported	**57.3**	75.9	(18.6)	**169.8**	170.2	(0.4)
Exclude:						
IST & Quiport Adjusted EBITDA	(1.5)	16.6	(18.1)	23.0	59.9	(36.9)
Adjusted EBITDA excluding IST & Quiport	**58.8**	59.3	(0.5)	**146.8**	110.3	36.5
Operating Profit as reported	**85.6**	40.9	44.7	**142.6**	63.7	78.9
Exclude:						
IST & Quiport Operating Profit	47.3	8.2	39.1	72.2	30.0	42.2
Operating Profit excluding IST & Quiport	**38.3**	32.7	5.6	**70.4**	33.7	36.7
Adjusted EBITDA margin as reported	**6.6%**	10.5%	(4.0)%	**5.8%**	6.5%	(0.7)%
Adjusted EBITDA margin excluding IST & Quiport	**6.7%**	8.5%	(1.7)%	**5.0%**	4.3%	0.7%
Operating Profit margin as reported	**9.8%**	5.7%	4.1%	**4.9%**	2.4%	2.5%
Operating Profit margin excluding IST & Quiport	**4.4%**	4.7%	(0.3)%	**2.4%**	1.3%	1.1%

Restructuring cost of $9.0 million in 2014 includes personnel and other costs associated with an organizational restructuring which impacted each of the Infrastructure, Energy and Mining segments in the fourth quarter of 2014 ($6.5 million), and $2.5 million in the first quarter of 2014 that resulted from the closure of the buildings business unit in Seattle within the Infrastructure segment.

For the year ended December 31, 2015, the mark-to-market loss related to the LTIP program that results from remeasuring both the LTIP liability and related total return swaps at fair value at the reporting date was $3.4 million compared to $3.2 million in 2014. For more information, refer to Note 22 of the December 31, 2015 consolidated financial statements. With the reclassification of the LTIP program from a cash-settled plan to an equity-settled plan in 2015, no further mark-to-market gains (losses) are expected after 2015.

Depreciation and amortization expense of $68.0 million in 2015 was $4.5 million higher than in 2014. The increase occurred largely from higher amortization of intangible software assets that were put into service in 2015.

Financing charges, net of interest income, of $29.0 million in 2015 were $10.4 million lower than in 2014, due primarily to lower interest expense resulting from the repayment of convertible debentures in the third quarter of 2014 and fourth quarter of 2015.

The terms of the Company's convertible debentures that matured on October 31, 2015 and September 30, 2014 included options for holders to convert prior to the maturity date and allowed the Company the option to settle the conversion in cash (or a combination of cash and common shares) unless a holder expressly indicated in the conversion notice that they did not wish to receive cash. The holder's option to convert was treated as a derivative liability, which was measured at fair value at each reporting period, with gains and losses flowing through profit or loss. In 2015, the result of fair valuing the embedded derivative within Aecon's convertible debentures was a gain of $0.2 million compared to a gain of $11.2 million in 2014. Given that no debentures remain outstanding as at December 31, 2015 that contain this option and therefore a related derivative liability, future periods will not be impacted by further fair value gains or losses, unless further such debentures containing this option are issued. For more information, refer to Note 17 of the 2015 consolidated financial statements.

Set out in Note 18 of the December 31, 2015 consolidated financial statements is a reconciliation between the expected income tax expense for 2015 and 2014 based on statutory income tax rates and the actual income tax expense reported for both these periods. Included in the 2015 income tax expense is a $10.4 million non-cash charge related to modification of the LTIP program from a cash-settled plan to an equity-settled plan in 2015. As a result of this plan modification, previously recorded deferred income tax assets were reversed as accumulated timing differences to the date of modification and are now treated as a permanent difference for income tax accounting purposes. Also included in the 2015 income tax expense is a $29.5 million charge related to the sale of Aecon's interest in the Quito airport concessionaire of which $24.0 million is expected to be a non-cash expense as income taxes otherwise payable in Canada on the transaction will be offset by the utilization of available net operating losses.

Backlog as at December 31, 2015 of $3,261 million compares to backlog of $2,654 million as at December 31, 2014. New contract awards of $3,526 million were booked in 2015 compared to $3,495 million in 2014.

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

BACKLOG

	As at December 31	
$ millions	2015	2014
	$	$
Infrastructure	2,195	1,263
Energy	735	955
Mining	331	436
Consolidated	3,261	2,654

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

ESTIMATED BACKLOG DURATION

	As at December 31			
$ millions		2015		2014
	$		$	
Next 12 months	1,975	61%	1,579	59%
Next 13-24 months	731	22%	817	31%
Beyond	555	17%	258	10%
	3,261	100%	2,654	100%

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

Reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. The equity method reports a single amount (revenue less expenses) on Aecon's consolidated statement of income, and as a result the revenue component of backlog for these projects is not included in Aecon's reported revenue.

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

REPORTING SEGMENTS

Infrastructure

FINANCIAL HIGHLIGHTS

	Three months ended December 31		Year ended December 31	
$ millions	2015	2014[1]	2015	2014[1]
	$	$	$	$
Revenue	293.3	238.9	958.7	871.9
Gross profit	32.0	29.6	89.8	70.1
Adjusted EBITDA	23.8	21.0	46.1	25.5
Operating profit	18.0	14.9	29.6	4.4
Gross profit margin	10.9%	12.4%	9.4%	8.0%
Adjusted EBITDA margin	8.1%	8.8%	4.8%	2.9%
Operating margin	6.1%	6.2%	3.1%	0.5%
Backlog			2,195	1,263

(1) Certain comparative amounts for 2014 have been reclassified to conform to the presentation adopted in the current year.

For the year ended December 31, 2015, revenue in the Infrastructure segment of $959 million was $87 million, or 10%, higher than in the previous year. Revenue was higher in heavy civil operations ($68 million) largely due to the ramp up of work from projects in Ontario, many of which relate to the heavy civil component of the transportation sector. Revenue was also higher in transportation operations ($37 million) due to a higher volume of road building construction in both Ontario and Western Canada. However, revenue was lower in social infrastructure operations ($17 million) largely due to a lower volume of buildings work in Ontario and Western Canada, partially offset by a higher volume of mechanical work related to the water treatment sector in Western Canada.

For the year ended December 31, 2015, operating profit in the Infrastructure segment of $29.6 million improved by $25.2 million compared to an operating profit of $4.4 million in 2014. Operating profit improved in social infrastructure operations due to higher gross profit margin from mechanical work in the water treatment sector, from a $1.3 million gain on sale of assets in the buildings business in 2015, and the year-over-year impact of a $2.6 million restructuring cost incurred during the first quarter of 2014 as a result of the closure of the Seattle buildings business unit. Operating profit also increased in the transportation sector primarily due to higher volume and gross profit margin from operations in Ontario and Western Canada. However, operating profit decreased in heavy civil operations due to lower gross profit margin in 2015 compared to 2014. The year-over-year improvement in Infrastructure operating profit also reflects the impact of $1.9 million of restructuring cost associated with organizational restructuring in the fourth quarter of 2014.

Infrastructure backlog at December 31, 2015 was $2,195 million, which was $932 million higher than the previous year. The largest year-over-year increases in backlog occurred in transportation ($562 million) and heavy civil operations ($487 million) due in large part to the Eglinton Crosstown LRT project being awarded to a consortium in which Aecon has a 25 per cent interest. Offsetting these increases was lower backlog in social infrastructure ($118 million). New contract awards totalled $1,891 million in 2015 compared to $1,314 million in the prior year. The increase in new awards was due mainly to the above noted Eglinton Crosstown LRT project.

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

Energy

FINANCIAL HIGHLIGHTS

	Three months ended December 31		Year ended December 31	
$ millions	2015	2014[1]	2015	2014[1]
	$	$	$	$
Revenue	378.2	340.5	1,268.2	1,251.4
Gross profit	37.0	38.3	106.8	129.5
Adjusted EBITDA	20.5	22.6	46.1	72.4
Operating profit	17.7	17.2	46.3	56.6
Gross profit margin	9.8%	11.2%	8.4%	10.4%
Adjusted EBITDA margin	5.4%	6.6%	3.6%	5.8%
Operating margin	4.7%	5.0%	3.7%	4.5%
Backlog			735	955

(1) Certain comparative amounts for 2014 have been reclassified to conform to the presentation adopted in the current year.

On April 10, 2015, Aecon sold its wholly owned subsidiary, Innovative Steam Technologies Inc. ("IST"). Gross cash proceeds of the sale were $35 million, with potential additional proceeds over the following two years contingent on IST achieving certain earn-out conditions based on performance. In 2015, a gain of $14.1 million was included in operating profit.

Revenue in 2015 of $1,268 million in the Energy segment was $17 million, or 1%, higher than in 2014 with higher revenue in industrial operations ($207 million) largely offset by lower revenue in utilities operations ($190 million). In industrial operations, revenue was higher in Ontario ($146 million) mainly from additional work in the power and gas distribution sectors and from higher fabrication volume. Industrial revenue also increased in Western Canada ($129 million) primarily as a result of fabrication and module assembly projects in the resource sector. However, revenue in industrial operations was negatively impacted by the sale of IST ($63 million) in 2015. The reduction in revenue from utilities operations was primarily due to lower volume from pipeline projects in Western Canada.

For the year ended December 31, 2015, operating profit of $46.3 million decreased by $10.2 million compared to the previous year. The majority of the reduction in operating profit occurred in utilities operations due to lower pipeline volume in Western Canada, and from industrial operations in Atlantic Canada where lower gross profit margin on fabrication work was due in part to extreme weather conditions to start the year which impacted productivity.

Partially offsetting these decreases was a volume driven increase in operating profit in industrial operations in Western Canada and Ontario. Also impacting operating profit in the Energy segment was the net impact of a gain on sale of IST ($14.1 million) offset in part by a lower operating profit contribution year-over-year from IST operations as a result of the sale, and from the year-over-year impact of $1.8 million in restructuring cost associated with organizational restructuring in the fourth quarter of 2014.

Backlog at December 31, 2015 of $735 million was $220 million lower than the same time in 2014, with an increase in utilities ($71 million) offset by lower backlog in industrial operations ($291 million). Backlog was higher in utilities operations primarily from new awards in Ontario. The decline in industrial backlog was mostly the result of a reduction in backlog attributed to the sale of IST ($51 million) and lower backlog in Western Canada from both site construction and fabrication and module assembly projects ($188 million). New contract awards of $1,048 million in 2015 were $282 million lower than in 2014. The decrease in new awards in 2015 primarily reflects the above impacts in industrial operations as well as the impact on awards from the sale of IST.

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

Mining

FINANCIAL HIGHLIGHTS

	Three months ended December 31		Year ended December 31	
$ millions	2015	2014[1]	2015	2014[1]
	$	$	$	$
Revenue	207.2	153.0	706.1	516.1
Gross profit	27.8	30.6	103.9	73.0
Adjusted EBITDA	22.3	25.0	79.5	49.2
Operating profit	16.2	16.2	51.1	20.7
Gross profit margin	13.4%	19.9%	14.7%	14.1%
Adjusted EBITDA margin	10.8%	16.3%	11.3%	9.5%
Operating margin	7.8%	10.6%	7.2%	4.0%
Backlog			331	436

(1) Certain comparative amounts for 2014 have been reclassified to conform to the presentation adopted in the current year.

For the year ended December 31, 2015, revenue in the Mining segment of $706 million was $190 million, or 37%, higher than in the previous year. The majority of the increase ($214 million) was due to a higher volume of site installation work in the commodity mining sector primarily related to potash projects. Revenue from civil and foundations work related to mining projects was also higher ($28 million) due primarily to higher volume in Eastern Canada. Partially offsetting these increases was lower revenue from contract mining ($53 million) where higher revenue from work at new site development projects in Alberta was more than offset by reduced volume from other traditional contract mining work.

For the year ended December 31, 2015, operating profit in the Mining segment of $51.1 million increased by $30.4 million compared to the previous year. Operating profit in the commodity mining sector increased compared to 2014 primarily due to higher volume, and in civil and foundations work operating profit increased in 2015 due to higher gross profit margin from ongoing projects, which more than offset lower income from projects reported under the equity method. However, operating profit in contract mining operations decreased due to lower volume when compared to 2014. Segment operating profit was also impacted by $0.9 million in restructuring cost associated with organizational restructuring in the fourth quarter of 2014.

Backlog at December 31, 2015 of $331 million was $105 million lower than the same time in the previous year. Backlog decreased in the commodity mining sector ($59 million) primarily as the work off of existing site installation work related to potash projects outpaced new awards in the sector. Backlog also decreased in contract mining operations ($24 million) largely due to work off of backlog related to new site development projects in Alberta, and in civil and foundations operations ($22 million). New contract awards of $601 million in 2015 were $274 million lower than in 2014, due to a reduction in new awards for both contract mining and site installation work when compared to 2014.

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

Concessions

FINANCIAL HIGHLIGHTS

	Three months ended December 31		Year ended December 31	
$ millions	2015	2014	2015	2014
	$	$	$	$
Revenue	1.2	0.8	3.7	2.9
Gross profit	(1.1)	(0.8)	(1.8)	(1.6)
Income from projects accounted for using the equity method	(0.1)	5.8	14.6	24.6
Adjusted EBITDA	0.7	11.8	27.2	48.4
Operating profit	46.5	3.3	57.6	18.7

Revenue reported in the Concessions segment for the years ended December 31, 2015 and 2014 was $3.7 million and $2.9 million, respectively.

On December 10, 2015, Aecon sold its 45.5% share in the Quito airport concession for gross proceeds of $291.6 million, representing a gain of $48.8 million. From June 8, 2015 until it was sold on December 10, 2015, Aecon's investment in the Quito airport concession was classified as "held for sale" on its consolidated balance sheet and all equity accounting for the joint venture ceased during this period. Therefore, operating results from the Quito airport concession subsequent to June 8, 2015 have not been reported within the Concessions segment, thereby impacting the segment's results for the three months and year ended December 31, 2015 when compared to the same periods in 2014.

For the year ended December 31, 2015, operating profit of $57.6 million represents a $38.9 million increase compared to the prior year, due to the above-noted gain on sale of the Quito airport concession of $48.8 million. The balance of the year-over-year change results from a reduced contribution from the Quito airport concession in 2015 for the reasons cited above, offset in part by increased profit contribution from recent light rail transit ("LRT") concession projects in Ontario.

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

QUARTERLY FINANCIAL DATA

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

	2015 (see Note 1)				2014			
$ millions (except per share amounts)	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	$	$	$	$	$	$	$	$
Revenue	874.3	874.9	667.3	501.5	722.2	840.4	589.6	461.9
Adjusted EBITDA	57.3	76.1	29.9	6.5	75.9	77.3	13.9	3.1
Earnings (loss) before income taxes	78.9	47.8	12.8	(25.7)	36.9	51.3	(16.8)	(36.0)
Profit (loss)	47.7	25.6	12.4	(17.0)	28.6	39.5	(12.2)	(25.9)
Adjusted profit (loss)	47.7	25.6	12.2	(17.0)	27.3	33.1	(13.9)	(24.7)
Earnings (loss) per share:								
Basic	0.84	0.45	0.22	(0.30)	0.51	0.73	(0.23)	(0.49)
Diluted	0.68	0.35	0.21	(0.30)	0.39	0.49	(0.23)	(0.49)
Adjusted earnings (loss) per share:								
Basic	0.84	0.45	0.22	(0.30)	0.49	0.61	(0.26)	(0.47)
Diluted	0.68	0.35	0.21	(0.30)	0.39	0.49	(0.26)	(0.47)

(1) The sale of IST in April 2015 and Aecon's investment in the Quito airport concession in December 2015, including the classification of the Quito airport concession as "held for sale" from June 8, 2015, have impacted Aecon's quarterly results for 2015 when compared to the same periods in the prior year. A summary of these impacts in the fourth quarter and for the full year is included in the Consolidated Financial Highlights section of this MD&A.

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

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

	2015				2014			
$ millions	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	$	$	$	$	$	$	$	$
Operating profit (loss)	85.6	55.4	19.8	(18.2)	40.9	53.8	(7.8)	(23.2)
Depreciation and amortization	17.0	17.3	16.7	17.0	17.3	15.3	14.1	16.8
(Gain) loss on sale of assets	(0.4)	(1.3)	(0.4)	0.7	0.1	0.3	0.5	–
Gain on sale of IST and Quito airport concession investment	(48.8)	–	(14.1)	–	–	–	–	–
Restructuring cost	–	–	–	–	6.5	–	–	2.6
Gain (loss) on mark-to-market of LTIP program	–	2.2	1.3	(0.2)	2.6	0.6	–	–
Income from projects accounted for using the equity method	(3.1)	(3.9)	(6.9)	(8.3)	(10.9)	(8.2)	(6.6)	(7.3)
JV EBITDA	7.1	6.4	13.5	15.5	19.4	15.5	13.6	14.2
Adjusted EBITDA	57.3	76.1	29.9	6.5	75.9	77.3	13.9	3.1

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

$ millions	2015				2014			
Aecon's proportionate share of projects accounted for using the equity method[1]	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	$	$	$	$	$	$	$	$
Operating profit	7.0	6.3	10.7	11.4	15.7	11.9	10.0	10.6
Depreciation and amortization	0.1	0.1	2.8	4.1	3.7	3.6	3.6	3.7
JV EBITDA	7.1	6.4	13.5	15.5	19.4	15.5	13.6	14.2

(1) Refer to Note 10 "Projects Accounted for Using the Equity Method" in the 2015 consolidated financial statements

Quarterly Financial Highlights

	Three months ended December 31			
	Revenue		Operating profit (loss)	
$ millions	2015	2014	2015	2014
	$	$	$	$
Infrastructure	293.3	238.9	18.0	14.9
Energy	378.2	340.5	17.7	17.2
Mining	207.2	153.0	16.2	16.2
Concessions	1.2	0.8	46.5	3.3
Other costs and eliminations	(5.6)	(11.0)	(12.8)	(10.6)
Consolidated	874.3	722.2	85.6	40.9

The analysis of operating results for each of the first three quarters of 2015 is included in Management's Discussion and Analysis incorporated in the Interim Reports to Shareholders for each respective quarter.

Revenue in the Infrastructure segment in the fourth quarter of 2015 was $54 million, or 23%, higher than in the fourth quarter of 2014. Revenue was higher in transportation operations ($31 million) due to a higher volume of road building construction in Ontario and Western Canada and in heavy civil operations ($21 million) largely due to the ramp up of the heavy civil component of work from projects in the transportation sector in Ontario. In social infrastructure, revenue was also higher ($2 million) largely due to mechanical work in the water treatment sector, which offset lower volume of buildings work in Eastern Canada.

Operating profit in the Infrastructure segment of $18.0 million in the fourth quarter of 2015 increased by $3.1 million compared to the fourth quarter of 2014. The majority of this increase occurred in social infrastructure primarily from higher margin mechanical work, offset to some extent by lower margin in heavy civil operations. Segment operating profit was also impacted in the fourth quarter of 2014 by $1.9 million in restructuring cost associated with organizational restructuring.

Energy segment revenue in the fourth quarter of 2015 was $38 million, or 11%, higher than in the fourth quarter of 2014, with higher revenue in both industrial operations ($36 million) and utilities operations ($2 million). In industrial operations, most of the higher revenue occurred in Ontario ($46 million) mainly from additional work in the power and gas distribution sectors and from higher fabrication volume. However, the revenue increase in industrial operations was partly offset by the impact of the sale of IST ($23 million) earlier in 2015.

Operating profit in the Energy segment of $17.7 million in the fourth quarter of 2015 increased by $0.6 million compared to the fourth quarter of 2014. Operating profit in industrial's Ontario operations increased due to higher volume and margin in the quarter, while lower margin decreased operating profit in Western Canada. Quarter-over-quarter operating profit was also adversely impacted by the sale of IST during 2015 and by $1.8 million in restructuring cost associated with organizational restructuring in the fourth quarter of 2014.

Mining segment revenue in the fourth quarter of 2015 was $54 million, or 35%, higher than in the fourth quarter of 2014. Similar to the full year period, the majority of the increase ($69 million) was due to a higher volume of site installation work in the commodity mining sector and from civil and foundations work related to mining projects ($18 million) primarily in Eastern Canada. Partially offsetting these increases was lower revenue from contract mining ($32 million) where higher revenue from work at new site development projects in Alberta was more than offset by reduced volume from other traditional contract mining work.

Operating profit in the Mining segment of $16.2 million in the fourth quarter of 2015 was unchanged compared to the fourth quarter of 2014. Operating profit in the commodity mining sector increased when compared to the same period in 2014 primarily due to higher volume, and operating profit from civil and foundations work also increased due to both higher volume and margin. However, operating profit in contract mining operations decreased due to lower volume and margin compared to the same period in 2014. Segment operating profit was also impacted in the fourth quarter of 2014 by $0.9 million in restructuring cost associated with organizational restructuring.

Operating profit in the Concessions segment of $46.5 million in the fourth quarter of 2015 represented a $43.2 million increase over the same quarter in the previous year due primarily to the $48.8 million gain on sale of the Quito airport concession in the quarter.

Corporate restructuring cost associated with organizational restructuring was $1.9 million in the fourth quarter of 2014 and, in total, restructuring cost for the Company was $6.5 million during the fourth quarter of 2014.

MG&A expense increased by $3.8 million in the fourth quarter of 2015 compared to 2014, but MG&A as a percentage of revenue decreased from 5.7% to 5.1%. Higher MG&A was primarily attributable to increased revenue and higher personnel and incentive costs offset by lower bid costs in the fourth quarter of 2015.

Mark-to-market losses related to the LTIP program of $2.6 million in the fourth quarter of 2014 are discussed in the Consolidated Financial Highlights section.

SELECTED ANNUAL INFORMATION

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

($ millions, except per share amounts)	2015	2014	2013
	$	$	$
Total revenues	2,918.1	2,614.1	3,068.6
Adjusted EBITDA	169.8	170.2	184.0
Operating profit	142.6	63.7	97.3
Profit	68.7	30.0	40.6
Per share:			
Basic	1.22	0.55	0.77
Diluted	1.03	0.51	0.72
Adjusted profit	68.5	21.8	47.8
Per share:			
Adjusted earnings	1.22	0.40	0.91
Adjusted diluted earnings	1.03	0.40	0.84
Total assets	1,874.4	1,830.1	1,993.6
Total long-term financial liabilities	384.3	350.2	466.6
Cash dividends declared per common share	0.40	0.36	0.32

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

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

For further information, see Note 10 to the December 31, 2015 consolidated financial statements.

Cash and Debt Balances

Cash balances at December 31, 2015 and 2014 are as follows:

$ millions	December 31, 2015		
	Balances excluding Joint Operations	Joint Operations	Consolidated Total
	$	$	$
Cash and cash equivalents[1]	110	172	283

	December 31, 2014		
	Balances excluding Joint Operations	Joint Operations	Consolidated Total
	$	$	$
Cash and cash equivalents[1]	32	107	139
Restricted cash[2]	4	–	4

(1) Cash and cash equivalents include cash on deposit in bank accounts of joint operations which Aecon cannot access directly.

(2) Restricted cash includes cash that is deposited as collateral for letters of credit issued by Aecon.

Total long-term debt of $322.5 million as at December 31, 2015 compares to $444.9 million as at December 31, 2014, the composition of which is as follows:

$ millions	December 31, 2015	December 31, 2014
	$	$
Current portion of long-term debt	56.1	83.2
Current portion of convertible debentures	–	90.8
Long-term debt	105.4	113.6
Convertible debentures	161.0	157.3
Total long-term debt	**322.5**	**444.9**

Most of the $122 million net decrease in total debt results from a reduction in convertible debentures of $87 million and a decrease in finance leases and equipment loans during the year of $35 million. Convertible debentures decreased as a result of the repayment of $92.5 million of convertible debentures on October 31, 2015, a $5.4 million increase related to the accretion of notional interest and a $0.2 million decrease in the fair value attributed to the embedded derivative component of convertible debentures.

Aecon's liquidity position and capital resources are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. Aecon's liquidity position is strengthened by its ability to draw on a committed revolving credit facility of $400 million of which $338 million was unutilized as of December 31, 2015. When combined with an additional $500 million letter of credit facility provided by Export Development Canada ("EDC"), Aecon's total committed credit facilities for working capital and letter of credit requirements are $900 million. In the first quarter of 2015, the expiry date of the above-noted revolving credit facility was extended to March 2019 from August 2016 and in the second quarter of 2015 the available amount of credit was increased from $300 million to $400 million. In 2015, the size of the above-noted EDC domestic letter of credit facility was increased from $250 million to $500 million while a US$15 million international letter of credit facility was discontinued as a result of the sale of IST. As at December 31, 2015, Aecon was in compliance with all debt covenants related to its credit facility.

In the first quarter of 2015, Aecon's Board of Directors approved an increase in the dividend to be paid to all holders of Aecon common shares. Annual dividends increased to $0.40 per share, to be paid in four quarterly payments of $0.10 per share. Prior to this increase, Aecon paid an annual dividend of $0.36 per share ($0.09 each quarter). The first quarterly dividend payment of $0.10 per share was paid on April 1, 2015.

SUMMARY OF CASH FLOWS

	Consolidated Cash Flows	
$ millions	Year ended December 31	
	2015	2014
	$	$
Cash provided by (used in):		
Operating activities	58.1	74.8
Investing activities	249.0	(9.8)
Financing activities	(163.2)	(166.8)
Increase (decrease) in cash and cash equivalents	143.9	(101.8)
Effects of foreign exchange on cash balances	(0.1)	0.1
Cash and cash equivalents – beginning of year	138.9	240.6
Cash and cash equivalents – end of year	282.7	138.9

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

Operating Activities

Cash provided by operating activities of $58 million in 2015 compares with cash provided by operating activities of $75 million in the same period in 2014. The $17 million year-over-year decrease in cash provided by operating activities resulted from higher investments in working capital mainly in the Energy segment partly offset by higher operating profit in 2015 when compared to the previous year.

Investing Activities

In 2015, cash provided by investing activities of $249 million compares to cash used of $10 million in 2014. Most of the $259 million year-over-year increase in cash provided is due to net proceeds from the sale of IST and the Quito airport concession of $26 million and $247 million, respectively, offset by lower cash distributions from projects accounted for using the equity method, which decreased from

$39 million in 2014 to $12 million in 2015. In addition, in 2015, $42 million of cash was used for expenditures (net of disposals) on property, plant and equipment and intangible assets compared to $51 million of cash used in 2014.

In 2015, Aecon acquired, either through purchases or finance leases, property, plant and equipment totalling $49 million. Most of this investment in property, plant and equipment related to the purchase of new machinery and construction equipment as part of normal ongoing business operations in each operating segment. In 2014, investments in property, plant and equipment totalled $51 million.

Financing Activities

In 2015, cash used in financing activities amounted to $163 million, compared to cash used in financing activities of $167 million in 2014. In 2015, $92 million of convertible debentures were repaid compared to $172 million of convertible debentures repaid in 2014. Issuances of long-term debt in 2015 amounted to $35 million, while repayments totalled $89 million, for a net outflow of $54 million. The majority of the debt borrowings related to the financing of expenditures related to equipment and software, while the majority of debt repayments related to equipment financing arrangements. In 2014, net debt repayments totalled $17 million, relating primarily to equipment financing arrangements. Dividends of $22 million were paid in 2015, compared to $20 million in 2014. Cash provided by the exercise of stock options in 2015 of $1 million compared to $3 million of cash provided in 2014. In addition, proceeds from the sale of Aecon common shares by the Company's LTIP trust in 2014 were $38 million.

NEW ACCOUNTING STANDARDS

Note 6 to the 2015 consolidated financial statements includes new IFRS standards that will become effective for the Company after December 31, 2015.

SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2015. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2015 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the financial year ended December 31, 2015. Based on that evaluation, the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective as at December 31, 2015 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. In designing and implementing such controls, it should be recognized that any system of internal control over financial reporting, no matter how well designed and operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and may not prevent or detect all misstatements due to error or fraud.

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

Changes in Internal Controls over Financial Reporting

During the year ended December 31, 2015, the Company's internal controls over financial reporting changed as a result of the deployment of a new Enterprise Resource Planning ("ERP") system which has materially affected the Company's internal controls over financial reporting. The ERP implementation project was designed to replace many existing standalone applications with a common set of applications on a common platform in order to standardize processes, improve efficiencies, and improve overall controls and reporting. The implementation project has resulted in the redesign of certain business processes, some of which related to internal controls over financial reporting and disclosure controls and procedures. The project followed a phased deployment schedule throughout 2015 and became fully operational across the Company by the end of 2015. Implementing an ERP system on a widespread basis involves significant changes in business processes and extensive organizational training. The Company believes a phased-in approach reduced the risks associated with making these changes and believes it has taken the necessary steps to design, monitor and maintain appropriate internal controls during this transition period. These steps include deploying resources to mitigate internal control risks and performing additional verification and testing procedures to ensure data integrity.

Contractual Obligations

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

($ millions)	Lease payments	Other long-term debt	Convertible debentures[1]
	$	$	$
2016	15.3	60.2	–
2017 – 2020	27.7	108.0	172.5
Beyond	4.0	2.7	–
	47.0	**170.9**	**172.5**

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

At December 31, 2015, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $3,261 million.

Off-Balance Sheet Arrangements

In connection with its joint venture operations in Quito, Aecon provided various financial and performance guarantees and letters of credit, which are described in Note 20 to the 2015 consolidated financial statements.

Aecon's defined benefit pension plans (the "Pension Plans") had a combined deficit of $2.5 million at December 31, 2015 (2014 – $4.3 million). Details relating to Aecon's defined benefit plans are set out in Note 19 to the December 31, 2015 consolidated financial statements.

The latest actuarial valuation of the Pension Plans for statutory and contribution purposes was completed as at December 31, 2013. Under current pension benefits regulations, the next actuarial valuation of the Pension Plans must be performed with a valuation date of no later than December 31, 2016. Accordingly, unless an earlier valuation date is adopted, no change in contributions will be required before 2017 and any changes thereafter will reflect December 31, 2016 market conditions.

The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future remeasurement gains or losses, none of which have been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future accounting valuations. Consequently, the accounting for pension plans involves a number of assumptions including those that are disclosed in Note 19 to the December 31, 2015 consolidated financial statements. As a result of the uncertainty associated with these estimates, there is no assurance that the plans will be able to earn the assumed rate of return on plan assets, and furthermore, market driven changes may result in changes to discount rates and other variables which would result in Aecon being required to make contributions to the plans in the future that may differ significantly from estimates. As a result, there is a significant amount of measurement uncertainty involved in the actuarial valuation process. This measurement uncertainty may lead to potential fluctuations in financial results attributable to the selection of actuarial assumptions and other accounting estimates involved in the determination of pension expense and obligations. A significant actuarial and accounting assumption impacting the reporting of pension plans is the discount rate assumption. As at December 31, 2015, Aecon used a discount rate of 3.75% in its pension plan calculations for consolidated financial statement purposes. The impact of a 0.5% decrease in the discount rate assumption would have resulted in an increase in the pension benefit obligation of approximately $2.6 million at December 31, 2015 and an increase in the estimated 2016 pension expense of approximately $0.1 million.

Further details of contingencies and guarantees are included in the December 31, 2015 consolidated financial statements.

Related Party Transactions

There were no significant related party transactions in 2015.

Critical Accounting Estimates and Judgements

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 4 of the December 31, 2015 consolidated financial statements.

RISK FACTORS

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

Large Project Risk

A substantial portion of Aecon's revenue is derived from large projects, some of which are conducted through joint ventures. These projects provide opportunities for significant revenue and profit contributions but, by their nature, carry significant risk and, as such, can and have occasionally resulted in significant losses. As a result of the existing infrastructure deficit throughout Canada a significant number of large projects are expected to be tendered over the next several years. In addition to a growing involvement in large projects in response to changing market conditions, Aecon is also active in the Public Private Partnership ("P3") market in

Canada. The P3 procurement model typically involves a transfer of certain risks to a contractor beyond those contained in a conventional fixed price contract. As such, a failure to properly execute and complete a P3 project may subject Aecon to significant losses. In addition, previously announced or anticipated projects in the resources and commodities mining sector continue to grow in size, scope and complexity. The risks associated with such large scale infrastructure and industrial projects are often proportionate to their size and complexity thereby placing a premium on risk assessment and project execution.

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

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

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

Aecon has a number of commitments and contingencies. If Aecon was called upon to honour these contingent obligations, its financial results could be adversely affected. For additional details, see Note 20 "Contingencies" and Note 21 "Commitments Under Non-Cancellable Operating Leases" to the Company's December 31, 2015 consolidated financial statements filed on Aecon's SEDAR profile at www.sedar.com.

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

Contractual Factors

Aecon performs construction activities under a variety of contracts including lump sum, fixed price, guaranteed maximum price, cost reimbursable, design-build, design-build-finance, design-build-finance-maintain and design-build-finance-operate-maintain. Some forms of construction contracts carry more risk than others. Aecon attempts to maintain a diverse mix of contracts to prevent overexposure to the risk profile of any particular contractual structure; however, conditions influencing both private sector and public authority clients may alter the desired mix of available projects and contractual structures that Aecon undertakes.

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

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

In certain instances, Aecon guarantees to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or

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

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

Certain of Aecon's contractual requirements may also involve financing elements, where Aecon is required to provide one or more letters of credit, performance bonds, financial guarantees or equity investments. For greater detail see "Access to Bonding, Pre-qualification Rating and Letters of Credit" under "Risk Factors" herein.

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

Aecon Operates in a Highly Competitive Industry

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

Resources and Commodities Sector

Delays, scope reductions and/or cancellations in previously announced or anticipated projects in the Alberta oil sands and commodities mining sector demonstrated that economic activity in the resources and commodities sector could be impacted by a variety of factors. General factors include but are not limited to: the pricing of oil, potash and other commodities; market volatility; the impact of global economic conditions affecting demand or the worldwide financial markets; cost overruns on announced projects; efforts by owners to contractually shift risk for cost overruns to contractors; fluctuations in the availability of skilled labour; lack of sufficient governmental infrastructure to support growth; the introduction of new "green" legislation; negative perception of the Alberta oil sands and their potential environmental impact; and a shortage of sufficient pipeline capacity to transport production to major markets.

The prices of oil, natural gas and other commodities are determined based on world demand, supply, production, speculative activities and other factors, all of which are beyond the control of the Company. Investment decisions by many of Aecon's clients are dependent on the clients' outlook on the long-term price of commodities. If that outlook is unfavourable it may cause delay, reduction or

cancellation of current and future projects. The decline in the prices of oil and commodities beginning in late 2014 and continuing throughout 2015, combined with potential further declines in prices, could result in a material reduction in the oil and gas development activities and capital expenditure plans of the Company's Energy and Mining segment clients, which could in turn have a negative effect on the frequency, number and size of the projects for which the Company would bid.

Given the volatility of world oil and commodity prices, a sustained period of low prices on a going forward basis may result in material differences in previously projected oil sands and resource development. Postponements or cancellations of investment in existing and new projects could have an adverse impact on Aecon's business and financial condition.

Economic Factors

Aecon's profitability is closely tied to the general state of the economy in those geographic areas in which it operates. More specifically, the demand for construction and infrastructure development services, which is the principal component of Aecon's operations, is perhaps the largest single driver of the Company's growth and profitability. In periods of strong economic growth, there is generally an increase in the number of opportunities available in the construction and infrastructure development industry as capital spending increases. In periods of weak economic growth, the demand for Aecon's services from private sector and public authority clients may be adversely affected by economic downturns.

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

Concessionaire Risk

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

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

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

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

Labour Factors

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

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

Subcontractor Performance

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

Litigation Risk and Claims Risk

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

Risk of Non-Payment

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

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

Dependence on the Public Sector

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

Large government sponsored projects typically have long and often unpredictable lead times associated with the government review and political assessment process. The time delays and pursuit costs incurred as a result of this lengthy process, as well as the often unknown political considerations that can be part of any final decision, constitute a significant risk to those pursuing such projects.

Ongoing Financing Availability

Aecon's business strategy involves the selective growth of its operations through internal growth and acquisitions. Certain of Aecon's operating segments, particularly its Infrastructure, Mining and Energy segments, require substantial working capital during their peak busy periods. Aecon relies on its cash position and the availability of credit and capital markets to meet these working capital demands. As these businesses grow, Aecon is continually seeking to enhance its access to funding in order to finance the higher working capital associated with this growth. However, given the expected demand for infrastructure services over the next several years and the size of many of these projects, Aecon may be constrained in its ability to capitalize on growth opportunities to the extent that financing is either insufficient or unavailable. Further, instability or disruption of capital markets, or a weakening of Aecon's cash position could restrict its access to, or increase the cost of obtaining financing. Aecon cannot guarantee that it will maintain an adequate cash flow to fund its operations and meet its liquidity needs. Additionally, if the terms of the credit facility are not met lenders may terminate Aecon's right to use its credit facility, or demand repayment of whole or part of all outstanding indebtedness, which could have a material adverse effect on Aecon's financial position.

One or more third parties drawing on letters of credit or guarantees could have a material adverse effect on Aecon's cash position and operations.

Some of Aecon's clients also depend on the availability of credit to finance their projects. If clients cannot arrange financing, projects may be delayed or cancelled, which could have a material adverse effect on Aecon's growth and financial position. Diminution of a client's access to credit may also affect Aecon's ability to collect payments, negotiate change orders, and settle claims with clients which could have a material adverse effect on Aecon's financial position.

Access to Bonding, Pre-qualification Rating and Letters of Credit

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

Insurance Risk

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

Environmental and Safety Factors

Unfavourable weather conditions represent one of the most significant uncontrollable risks for Aecon to the extent that such risk is not mitigated through contractual terms. Construction projects are susceptible to delays as a result of extended periods of poor weather, which can have an adverse effect on profitability arising from either late completion penalties imposed by the contract or from the incremental costs arising from loss of productivity, compressed schedules, or from overtime work utilized to offset the time lost due to adverse weather.

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

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

Aecon is also subject to, and complies with, health and safety legislation in all of its operations in the jurisdictions in which it operates. The Company recognizes that it must conduct all of its business in such a manner as to ensure the protection of its workforce and the general public. Aecon has developed a comprehensive health and safety program. Nevertheless, given the nature of the industry,

accidents will inevitably occur from time to time. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact, taken as a whole, on any of its operations, capital expenditure requirements or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or accidents. Increasingly across the construction industry safety standards, records and culture are an integral component of winning new work. Should Aecon fail to maintain its safety standards, such failure may impact future job awards, or in a worst case scenario impact financial results.

Cyclical Nature of the Construction Industry

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

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

Failure of Clients to Obtain Required Permits and Licences

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

International/Foreign Jurisdiction Factors

Aecon is from time to time engaged in large international projects in foreign jurisdictions. International projects can expose Aecon to risks beyond those typical for its activities in its home market, including without limitation, economic, geopolitical, geotechnical, military, repatriation of undistributed profits, currency and foreign exchange risks, and other risks beyond the Company's control including the duration and severity of the impact of global economic downturns.

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

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

Internal and Disclosure Controls

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

Interruption, Failure or Breach of Information Systems

Aecon relies extensively on information systems, data and communication networks to effectively manage its operations. Complete, accurate, available and secure information is vital to the Company's operations and any compromise in such information could result in improper

decision making, inaccurate or delayed operational and/or financial reporting, delayed resolution to problems, breach of privacy and/or unintended disclosure of confidential materials. Failure in the completeness, accuracy, availability or security of Aecon's information systems, the risk of system interruption or failure during system upgrades or implementation, or a breach of data security could adversely affect the Company's operations and financial results. Similarly, computer viruses, cyber-attacks, security breaches, unforeseen natural disasters and related events or disruptions could result in information systems failures that may adversely affect Aecon's operations and financial results. The sophistication of cyber threats and the associated financial, reputational and business interruption risks have also increased with advancement and integration of technology.

Integration and Acquisition Risk

The integration of any acquisition raises a variety of issues including, without limitation, identification and execution of synergies, elimination of cost duplication, systems integration (including accounting and information technology), execution of the pre-deal business strategy in an uncertain economic market, development of common corporate culture and values, integration and retention of key staff, retention of current clients as well as a variety of issues that may be specific to Aecon and the industry in which it operates. There can be no assurance that Aecon will maximize or realize the full potential of any of its acquisitions. A failure to successfully integrate acquisitions and execute a combined business plan could materially impact the future financial results of Aecon. A failure to expand the existing client base and achieve sufficient utilization of the assets acquired could also materially impact the future financial results of Aecon.

Loss of Key Management and Inability to Attract and Retain Key Staff

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

Adjustments in Backlog

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

Tax Accrual Risks

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

Reputation in the Construction Industry

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

Increases in the Cost of Raw Materials

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

Impact of Extreme Weather Conditions and Natural Disasters

Much of Aecon's construction activities are performed outdoors. Extreme weather conditions or natural or other disasters, such as earthquakes, fires, floods, epidemics or pandemics and similar events, may cause delays in the progress of Aecon's projects, which to the extent that such risk is not mitigated through contractual terms, may result in loss of revenues that otherwise would be recognized while certain costs continue to be incurred. Delays in the completion of Aecon's services may also lead to incurring additional non-compensable costs, including overtime work, that are necessary to meet clients' schedules. Delays in the commencement or completion of a project may also result in penalties or sanctions under contracts or even the cancellation of contracts.

Impairment in the Value of Aecon's Assets

New events or circumstances may lead Aecon to reassess the value of goodwill, property, plant and equipment, and other non-financial assets, and record a significant impairment loss, which could have a material adverse effect on its financial position. Aecon's financial assets, other than those accounted for at fair value, are assessed for indicators of impairment quarterly. Financial assets are considered impaired when there is objective evidence that estimated future cash flows of the investment have been affected by one or more events that occurred after the initial recognition of the financial asset. In such a case, Aecon may be required to reduce carrying values to their estimated fair value. Aecon's estimates of future cash flows are inherently subjective which could have a significant impact on the analysis. Further, there could be a material adverse effect on Aecon's financial position from any future write-offs or write-downs of Aecon's assets or in the carrying value of its investments.

Outsourced Software

Aecon relies on third party providers of software and infrastructure to run critical accounting, project management and financial systems. Discontinuation of development or maintenance of third party software and infrastructure could cause a disruption in Aecon's systems.

Protection of Intellectual Property and Proprietary Rights

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

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

Outstanding Share Data

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

In thousands of dollars (except share amounts)	March 1, 2016
Number of common shares outstanding	56,817,357
Outstanding securities exchangeable or convertible into common shares:	
Number of stock options outstanding	420,000
Number of common shares issuable on exercise of stock options	420,000
Increase in paid-up capital on exercise of stock options	$4,962
Principal amount of convertible debentures outstanding (see Note 17 to the December 31, 2015 consolidated financial statements)	$169,665
Number of common shares issuable on conversion of convertible debentures	8,625,000
Increase in paid-up capital on conversion of convertible debentures	$169,665

OUTLOOK

The fourth quarter of 2015 capped a solid year of progress on both revenue growth and margin performance, and saw Aecon complete the previously disclosed sale of the Company's 45.5% interest in the Quito International Airport concessionaire for $292 million to Grupo Odinsa S.A. and CCR S.A on December 10, 2015. Revenue of $874 million in the fourth quarter represented growth of 21% from the same period last year, or 25% on a like for like basis excluding the period over period impact of the sale of IST in April 2015, and 2015 full year revenue of $2.9 billion was 12% higher than 2014, or 14% on a like for like basis, with growth in all operating segments. On a like for like basis in the fourth quarter, excluding IST and Quiport Adjusted EBITDA from the prior period, Adjusted EBITDA of $58.8 million and margin of 6.7% compared to $59.3 million and a margin of 8.5%. For 2015, on a like for like basis, Adjusted EBITDA was $146.8 million versus $110.3 million in 2014 and Adjusted EBITDA margin was 5.0% versus 4.3% in 2014, representing strong progress to build on entering 2016.

At the end of 2015, the Company's backlog remained near record levels at $3.3 billion down slightly from the record backlog position of $3.4 billion that was achieved at the end of the third quarter of 2015, and higher than the $2.7 billion backlog at the end of 2014. This increase in backlog came both from work to be performed in the next twelve months, which increased from $1.6 billion at the end of 2014 to $2.0 billion at the end of 2015, and from work to be performed beyond the next twelve months, which increased from $1.1 billion to $1.3 billion. This strong backlog position provides confidence in continued progress in 2016, particularly when combined with the announcement in the first quarter of 2016 of a new nuclear project award at the Darlington facility in Ontario which will add $1.375 billion to Energy segment backlog in the first quarter of 2016. While the outlook for oil and commodity markets across Canada remains challenging, Aecon's performance and progress in 2015 in this environment, its strong backlog position, and diverse and flexible business model, combined with a strong commitment to increase infrastructure spending by all levels of government across Canada, bode well for Aecon's ability to continue to make progress despite weakness in certain markets. Aecon also has the benefit of a strong and liquid balance sheet that will afford the opportunity to capitalize on organic growth opportunities and positions the Company well to benefit from an eventual rebound in oil and commodity markets.

Infrastructure segment backlog, at the end of 2015, was $2,194 million compared to $1,263 million at the same time last year, an increase of 74%, primarily due to the Eglinton Crosstown LRT project award in July, 2015. Increased infrastructure spending to address both the significant infrastructure deficit in Canada and slower economic growth is expected to be a key area of focus for federal, provincial, and municipal governments over the next few years and Aecon is well positioned to successfully bid on, secure, and deliver these projects. Aecon is recognized for its expertise and capability to deliver large, complex, multi-disciplinary infrastructure projects and expects to continue to achieve success in these pursuits with its partners, which when combined with recently secured projects, is expected to lead to ongoing growth in this segment in 2016 and 2017.

Backlog in the Energy segment was $735 million at the end of 2015 compared to $955 million at the end of 2014 due to lower backlog in Western Canada from work off of pipeline and site construction projects, and less new bidding activity in the oil sands. Fabrication and modular assembly services are expected to remain solid in the first half of 2016 and it is expected that increased demand for gas distribution facilities, utilities work, power and nuclear refurbishment in 2016 will offset the oil related slowdown. On January 11, 2016 Ontario Power Generation (OPG) awarded a 50/50 joint venture between Aecon and SNC-Lavalin Nuclear Inc. a $2.75 billion contract to carry out the execution phase of its Re-tube and Feeder Replacement project for the Darlington Nuclear Generating Station Refurbishment Program. The execution phase is targeted to commence in 2016 and will take approximately ten years. Aecon's $1.375 billion share of the contract will be added to its Energy segment backlog in the first quarter of 2016 and combined with other ongoing nuclear activities is expected to double Aecon's revenue in nuclear related work in 2016 relative to 2015.

Backlog in the Mining segment at the end of 2015 of $331 million compared to $436 million at the end of 2014. While commodity prices generally remain relatively soft, new development projects linked to a variety of different commodities continue to move forward with engineering and feasibility work. Aecon is involved in a number of pursuits related to these potential projects. While contract mining operations in the oil sands are subject to some volume uncertainty due to reduced spending in the current environment, the current backlog and other non-oil related work is expected to sustain the Mining segment in 2016.

The Concessions segment continues to partner with Aecon's other segments to focus on the significant number of Public Private Partnership opportunities, and is actively pursuing a number of large-scale infrastructure projects that require private finance solutions. The Eglinton Crosstown LRT project award is further validation of the strength of the Concessions business and its successful integration with Aecon's operating segments. The sale of Aecon's interest in the Quito International Airport concessionaire further validates the concessions build, operate and monetize model.

On October 31, 2015, $92 million of convertible debentures matured and were repaid in full in cash using the existing liquidity resources of the Company. This coupled with the cash proceeds from the sale of Quito have further strengthened the Company's balance sheet and financial capacity. This is a key advantage for Aecon in its ability to continue to grow and take advantage of the significant infrastructure spend, including P3's, expected in coming years.

Aecon continues to be disciplined in responding to requests for its services, becoming pre-qualified, bidding, negotiating and carrying out work. The outlook for 2016 remains positive based on a strong backlog, recurring revenue agreements, and solid margin profile in each operating segment. All four segments continue to bid on opportunities that should further enhance the level of backlog and support the goal of continuing to improve Adjusted EBITDA margin.

As usual, the first half of 2016 is expected to be weaker than the second half of 2016 reflecting the typical seasonality of Aecon's work. Capital expenditures are expected to remain relatively consistent with 2015 levels. Aecon's balance sheet, financial liquidity and substantial bonding capacity continue to provide the financial resources required to capitalize on the opportunities before it.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

March 1, 2016
Independent Auditor's Report
To the Shareholders of
Aecon Group Inc.

We have audited the accompanying consolidated financial statements of Aecon Group Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aecon Group Inc. and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2015 AND 2014

(in thousands of Canadian dollars)		December 31 2015	December 31 2014
ASSETS	Note	$	$
Current assets			
Cash and cash equivalents		282,732	138,924
Restricted cash		–	4,291
Trade and other receivables	7	554,702	468,946
Unbilled revenue	8	347,533	301,402
Inventories	9	28,081	31,286
Income taxes recoverable		13,419	4,072
Prepaid expenses		15,712	14,214
		1,242,179	963,135
Non-current assets			
Long-term financial assets		2,293	3,746
Projects accounted for using the equity method	10	25,631	245,727
Deferred income tax assets	18	26,401	25,900
Property, plant and equipment	11	465,862	493,108
Intangible assets	12	111,996	98,494
		632,183	866,975
TOTAL ASSETS		1,874,362	1,830,110
LIABILITIES			
Current liabilities			
Trade and other payables	14	507,846	514,400
Provisions	15	18,738	15,636
Deferred revenue	8	185,263	118,117
Income taxes payable		4,093	1,786
Long-term debt	16	56,033	83,226
Convertible debentures	17	–	90,816
		771,973	823,981
Non-current liabilities			
Provisions	15	5,422	7,108
Long-term debt	16	105,358	113,612
Convertible debentures	17	160,991	157,291
Deferred income tax liabilities	18	102,897	65,515
Other liabilities		9,669	6,653
		384,337	350,179
TOTAL LIABILITIES		1,156,310	1,174,160
EQUITY			
Capital stock	22	332,275	324,287
Convertible debentures	17	8,674	8,674
Contributed surplus	22	41,546	5,509
Retained earnings		336,910	290,858
Accumulated other comprehensive income (loss)		(1,353)	26,622
TOTAL EQUITY		718,052	655,950
TOTAL LIABILITIES AND EQUITY	20	1,874,362	1,830,110

Approved by the Board of Directors

John M. Beck, Director

Anthony P. Franceschini, Director

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

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(in thousands of Canadian dollars, except per share amounts)		December 31, 2015	December 31, 2014
			(Note 32)
	Note	$	$
Revenue		2,918,083	2,614,078
Direct costs and expenses	23	(2,620,007)	(2,343,042)
Gross profit		298,076	271,036
Marketing, general and administrative expenses	23	(169,847)	(163,689)
Depreciation and amortization	23	(68,046)	(63,585)
Income from projects accounted for using the equity method	10	22,276	32,995
Other income (loss)	24	60,178	(13,049)
Operating profit		142,637	63,708
Finance income		1,115	2,909
Finance costs	25	(30,079)	(42,344)
Fair value gain on convertible debentures	17	173	11,166
Profit before income taxes		113,846	35,439
Income tax expense	18	(45,169)	(5,397)
Profit for the year		68,677	30,042
Basic earnings per share	26	1.22	0.55
Diluted earnings per share	26	1.03	0.51

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(in thousands of Canadian dollars)	December 31, 2015	December 31, 2014
	$	$
Profit for the year	68,677	30,042
Other comprehensive income (loss):		
Actuarial gain (loss) on defined benefit pension plan	856	(758)
Income taxes on the above	(230)	195
	626	(563)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences – foreign operations	958	512
Currency translation differences – equity accounted investees	(28,285)	19,028
Cash flow hedges – equity accounted investees	(1,733)	544
Income taxes on the above	459	(135)
	(28,601)	19,949
Total other comprehensive income (loss) for the year	(27,975)	19,386
Comprehensive income for the year	40,702	49,428

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(in thousands of Canadian dollars, except per share amounts)	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Shareholders' equity
					Currency translation differences	Actuarial gains and losses	Cash flow hedges	
	$	$	$	$	$	$	$	$
Balance as at January 1, 2015	**324,287**	**8,674**	**5,509**	**290,858**	**27,576**	**(954)**	**–**	**655,950**
Profit for the year	–	–	–	68,677	–	–	–	68,677
Other comprehensive income (loss):								
Currency translation differences – foreign operations	–	–	–	–	958	–	–	958
Currency translation differences – equity-accounted investees	–	–	–	–	(28,285)	–	–	(28,285)
Actuarial gain	–	–	–	–	–	856	–	856
Cash flow hedges – equity accounted investees	–	–	–	–	–	–	(1,733)	(1,733)
Taxes with respect to above items included in other comprehensive income	–	–	–	–	–	(230)	459	229
Total other comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**(27,327)**	**626**	**(1,274)**	**(27,975)**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**68,677**	**(27,327)**	**626**	**(1,274)**	**40,702**
Dividends declared	–	–	–	(22,625)	–	–	–	(22,625)
Common shares issued on exercise of options	1,105	–	(332)	–	–	–	–	773
Transfers by the Trust to settle long-term incentive plan (LTIP) obligations	2,956	–	–	–	–	–	–	2,956
Reclassification of LTIP to an equity settled plan	–	–	32,436	–	–	–	–	32,436
Reclassification of Director DSU plan to an equity-settled plan	–	–	1,569	–	–	–	–	1,569
Common shares issued on conversion of debentures	11	–	–	–	–	–	–	11
Stock-based compensation	–	–	7,462	–	–	–	–	7,462
Shares issued to settle LTIP/ Director DSU obligation	3,916	–	(3,916)	–	–	–	–	–
Other LTIP settlements	–	–	(1,182)	–	–	–	–	(1,182)
Balance as at December 31, 2015	**332,275**	**8,674**	**41,546**	**336,910**	**249**	**(328)**	**(1,274)**	**718,052**

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

(in thousands of Canadian dollars, except per share amounts)	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Shareholders' equity
					Currency translation differences	Actuarial gains and losses	Cash flow hedges	
	$	$	$	$	$	$	$	$
Balance as at January 1, 2014	286,747	8,674	6,477	277,474	8,036	(391)	(409)	586,608
Profit for the year	–	–	–	30,042	–	–	–	30,042
Other comprehensive income (loss):								
Currency translation differences– foreign operations	–	–	–	–	512	–	–	512
Currency translation differences– equity-accounted investees	–	–	–	–	19,028	–	–	19,028
Actuarial loss	–	–	–	–	–	(758)	–	(758)
Cash flow hedges – equity accounted investees	–	–	–	–	–	–	544	544
Taxes with respect to above items included in other comprehensive income	–	–	–	–	–	195	(135)	60
Total other comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**19,540**	**(563)**	**409**	**19,386**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**30,042**	**19,540**	**(563)**	**409**	**49,428**
Dividends declared	–	–	–	(20,321)	–	–	–	(20,321)
Common shares issued on exercise of options	3,908	–	(977)	–	–	–	–	2,931
Granting of stock options	–	–	9	–	–	–	–	9
Transfers by the Trust to settle long-term incentive plan (LTIP) obligations	7,162	–	–	–	–	–	–	7,162
Common shares sold by the Trust of the LTIP	26,477	–	–	8,561	–	–	–	35,038
Reclassification of LTIP to a cash-settled plan	–	–	–	(4,898)	–	–	–	(4,898)
Common shares cancelled	(12)	–	–	–	–	–	–	(12)
Common shares issued on conversion of debentures	5	–	–	–	–	–	–	5
Balance as at December 31, 2014	**324,287**	**8,674**	**5,509**	**290,858**	**27,576**	**(954)**	**–**	**655,950**

During the year ended December 31, 2015, the Company declared dividends amounting to $0.40 per share (December 31, 2014 – $0.36 per share).

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(in thousands of Canadian dollars)		December 31, 2015	December 31, 2014
CASH PROVIDED BY (USED IN)	Note	$	$
Operating activities			
Profit before income taxes		113,846	35,439
Income taxes paid		(10,308)	886
Defined benefit pension		(1,068)	(641)
Items not affecting cash:			
Depreciation and amortization		68,046	63,585
Income from projects accounted for using the equity method		(22,276)	(32,995)
(Gain) loss on sale of property, plant and equipment		(1,368)	953
Income from leasehold inducements		(389)	(441)
(Gain) loss on disposal of subsidiary		(62,935)	2,555
Unrealized foreign exchange loss		1,846	55
Increase in provisions		4,400	4,614
Notional interest representing accretion		5,468	7,400
Fair value gain on convertible debentures		(173)	(11,166)
Stock-based compensation		7,462	9
Gain on cancellation of common shares		–	(12)
Change in other balances relating to operations	27	(44,446)	4,561
		58,105	74,802
Investing activities			
(Increase) decrease in restricted cash balances		4,291	(357)
Purchase of property, plant and equipment		(30,286)	(28,466)
Proceeds on sale of property, plant and equipment		10,396	8,373
Proceeds on sale of subsidiary and concession investment		273,408	–
Increase in intangible assets		(22,473)	(30,695)
(Increase) decrease in long-term financial assets		1,005	2,189
Distributions from projects accounted for using the equity method		12,667	39,172
		249,008	(9,784)
Financing activities			
Issuance of long-term debt		34,804	49,479
Repayments of long-term debt		(88,852)	(66,208)
Increase in other liabilities		5,328	1,139
Issuance of capital stock		773	2,931
Sale of common shares by the LTIP Trust		–	38,126
Settlement of LTIP		(1,182)	–
Dividends paid		(22,060)	(19,735)
Repayment of convertible debentures		(91,989)	(172,495)
		(163,178)	(166,763)
Increase (decrease) in cash and cash equivalents during the year		143,935	(101,745)
Effects of foreign exchange on cash balances		(127)	67
Cash and cash equivalents – beginning of year		138,924	240,602
Cash and cash equivalents – end of year	27	282,732	138,924

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

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

1. CORPORATE INFORMATION

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

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

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

2. DATE OF AUTHORIZATION FOR ISSUE

The consolidated financial statements of the Company were authorized for issue on March 1, 2016 by the Board of Directors of the Company.

3. BASIS OF PRESENTATION

Basis of presentation

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

Statement of compliance

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

Basis of measurement

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

Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. In addition, the Company's participation in joint arrangements classified as joint operations are accounted for in the consolidated financial statements by reflecting, line by line, the Company's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations. The consolidated financial statements also include the Company's investment in and share of the earnings of projects accounted for using the equity method.

4. CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

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

4.1 MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Revenue and Gross Profit Recognition

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

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

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

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

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

Values Used in the Valuation of Derivatives and Fair Valuing Financial Instruments

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. The Company is required to measure certain financial instruments at fair value, using the most readily available market comparison data and where no such data is available, using quoted market prices of similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated.

Estimates relating to the valuation of financial instruments that are not traded in an active market and which have fair values determined using valuation techniques, such as the embedded derivatives within the Company's convertible debentures, involve the most significant area of fair value estimation. As explained in Note 17, "Convertible Debentures," some of the Company's convertible debentures contain an embedded derivative that must be measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss. The fair value of the embedded derivative is determined using the quoted market price of the convertible debentures, along with market based inputs, to fair value the debt and the embedded derivative components of the instruments. Two of the most significant assumptions impacting the Company's valuation of these embedded derivatives are the implied volatility and credit spread inputs.

Further information with regard to the treatment of the Company's convertible debentures and other financial instruments, including the impact of a change in implied volatility and credit spread inputs, can be found in Note 17, "Convertible Debentures," and Note 28, "Financial Instruments."

Measurement of Retirement Benefit Obligations

The Company's obligations and expenses related to defined benefit pension plans, including supplementary executive retirement plans, are determined using actuarial valuations and are dependent on many significant assumptions. The defined benefit obligations and benefit cost levels will change as a result of future changes in actuarial methods and assumptions, membership data, plan provisions, legislative rules, and future experience gains or losses, which have not been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to Note 19, "Employee Benefit Plans," for further details regarding the Company's defined benefit plans as well as the impact to the financial results of a 0.5% change in the discount rate assumption used in the calculations.

Income Taxes

The Company is subject to income taxes in both Canada and several foreign jurisdictions. Significant estimates and judgments are required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, there are transactions and calculations where the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Management estimates income taxes for each jurisdiction the Company operates in, taking into consideration different income tax rates, non-deductible expenses, valuation allowances, changes in tax laws, and management's expectations of future results. Management bases its estimates of deferred income taxes on temporary differences between the assets and liabilities reported in the Company's consolidated financial statements, and the assets and liabilities determined by the tax laws in the various countries in which the Company operates. Although the Company believes its tax estimates are reasonable, there can be no assurance that the final determination of any tax audits and litigation will not be materially different from that reflected in the Company's historical income tax provisions and accruals. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Company's income tax expense and current and deferred income tax assets and liabilities in the period in which such determinations are made. Although management believes it has adequately provided for any additional taxes that may be assessed as a result of an audit or litigation, the occurrence of either of these events could have an adverse effect on the Company's current and future results and financial condition.

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

Impairment of Goodwill and Other Intangible Assets

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

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

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

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

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

Refer to Note 12, "Intangible Assets," for further details regarding goodwill as well as the impact on the financial results of a change in the assumptions used in the impairment assessment calculations.

4.2 JUDGMENTS

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

Basis for Consolidation and Classification of Joint Arrangements

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

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

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

Discontinued Operations

The determination of whether a component of the Company, that either has been disposed of or is classified as held for sale, should be classified as a discontinued operation requires the exercise of judgment by management. The classification can have a significant impact on the presentation in the consolidated financial statements. In the second quarter of 2015, Innovative Steam Technologies Inc. ("IST") was sold (see Note 24, "Other Income (Loss)") and the Quito International Airport concessionaire ("Quiport") was classified as an asset held for sale prior to its sale later in the year. In management's judgment, neither of these two operations meet the criteria for classification as discontinued operations. In making such determinations, management examined all the lines of business the Company currently operates in, and the geographic markets the Company participates in. With respect to IST, the Company continues to operate various in-plant construction, fabrication and module assembly operations within the Energy segment and throughout Canada. Regarding Quiport, the Concessions segment continues its role of investing, developing, financing, operating and maintaining infrastructure projects by way of contractual structures in the global marketplace for public-private partnerships ("P3").

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 REVENUE RECOGNITION

Construction contracts

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

Revenue Recognition When the Outcome of the Contract Can be Estimated Reliably

When the outcome of a construction contract can be estimated reliably, revenue from fixed priced and cost-plus construction contracts is recognized using the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs at the end of the reporting period.

Revenue Recognition When The Outcome of the Contract Cannot be Estimated Reliably

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

Revision of Estimated Total Costs

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

Recognition of Contract Costs

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

Contract Losses

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

Change Orders, Disputes and Claims

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

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

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

Revenue Recognition – Other

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

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

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

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

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

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

Other Revenue Types

Revenue related to the sale of aggregates is recognized on delivery of the product or when the significant risks and rewards of ownership have been transferred to the customer.

Interest income is recognized using the effective interest method.

5.2 CASH AND CASH EQUIVALENTS

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

5.3 RESTRICTED CASH

Restricted cash is cash where specific restrictions exist on the Company's ability to use this cash. Restricted cash includes cash that has been deposited as collateral for letters of credit issued by the Company or cash deposits made to secure future equity commitments in projects.

5.4 FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

Financial Assets

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

Financial Assets at Fair Value Through Profit or Loss

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

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

Loans and Receivables

Loans and receivables (including trade, other receivables and long-term receivables with terms of more than one year) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. Such assets are carried at amortized cost using the effective interest rate method, less any impairment losses, with gains and losses recognized in profit or loss when the asset is derecognized or impaired. Loans yielding interest at normal market rates are reported at face value, while non-interest bearing loans and loans not at market rates are discounted to present value using a risk adjusted discount rate.

Held-to-Maturity Investments

Non-derivative financial assets (including short-term deposits classified as marketable securities) with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any impairment losses. Impairment losses are recognized in profit or loss.

Available-for-Sale Financial Assets

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

Financial Liabilities

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

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

Convertible Debentures

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

The 2015 convertible debentures that matured in 2015, allowed for cash settlement on conversion or a combination of cash and common shares in lieu of common shares and prior to maturity were accounted for as a compound financial instrument with a debt component and a separate derivative component representing the fair value of the conversion option. Both the debt and embedded derivative components of these compound financial instruments are measured at fair value on initial recognition. The debt component is subsequently measured at amortized cost using the effective interest rate method. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized through profit or loss as finance costs. The embedded derivative is subsequently measured at fair value at each reporting date with gains or losses in fair value recognized through profit or loss.

Hedging

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

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

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

5.5 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial Assets

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

Financial Liabilities

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

5.6 IMPAIRMENT OF FINANCIAL ASSETS

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

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

Objective evidence of impairment of financial assets carried at amortized cost exists if the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

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

Available-for-Sale Financial Assets

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

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

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

Reversals of impairment losses on debt instruments are made through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Assets Carried at Cost

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

5.7 INVENTORIES

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

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

5.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

Assets	Term
Land	Not depreciated
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	2 to 15 years
Heavy mining equipment	15,000 – 60,000 hours
Office equipment	3 to 5 years
Vehicles	1 to 5 years

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

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

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

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

5.9 BORROWING COSTS

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

5.10 GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

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

Internally generated goodwill is not recognized.

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

Intangible Assets

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

Intangible assets are amortized over their estimated useful lives. Intangible assets under development are not amortized until put into use.

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

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

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

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

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

5.11 SERVICE CONCESSION ARRANGEMENTS

IFRIC 12, "Service Concessions", applies to public-to-private service concession arrangements in which a public sector body (the grantor) controls and/or regulates the services provided by a private sector entity (the operator) relating to a concession asset. Prior to its sale in 2015, Concession arrangements relating to the New Quito Airport project were accounted for using the equity method (see Section 5.13, "Joint Arrangements").

5.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

If the carrying amount of an individual asset or CGU exceeds its recoverable amount, an impairment loss is recorded in profit or loss to reflect the asset at the lower amount. In assessing the value-in-use, the relevant future cash flows expected to arise from the continuing use of such assets and from their disposal are discounted to their present value using a market determined pre-tax discount rate, which reflects current market assessments of the time-value-of-money and asset-specific risks. Fair value less

costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

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

5.13 JOINT ARRANGEMENTS

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

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

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

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

Under the equity method of accounting, the Company's investments in joint ventures and associates are carried at cost and adjusted for post-acquisition changes in the net assets of the investment. Profit or loss reflects the Company's share of the results of these investments. Distributions received from an investee reduce the carrying amount of the investment. The consolidated statements of comprehensive income also include the Company's share of any amounts recognized by joint ventures and associates in OCI.

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

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

Transactions with Joint Operations

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

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

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

5.14 ASSOCIATES

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

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

5.15 PROVISIONS

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the

obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset when reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. Where material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning Liabilities

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

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

5.16 LEASES

Operating Leases

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

Finance Leases

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

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

5.17 EMPLOYEE BENEFIT PLANS

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

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

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

5.18 CURRENT AND DEFERRED INCOME TAXES

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

Deferred income tax is provided using the asset and liability method on all temporary differences at the consolidated

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

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

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

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

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

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

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

5.19 DIVIDENDS

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

5.20 STOCK-BASED COMPENSATION

The Company has stock-based compensation plans, as described in Note 22, "Capital Stock." All transactions involving stock-based payments are recognized as an expense over the vesting period.

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

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

5.21 EARNINGS PER SHARE

Basic Earnings Per Share

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

Diluted Earnings Per Share

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

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

5.22 FOREIGN CURRENCY TRANSLATION

Functional and Presentation Currency

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

Transactions

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

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

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

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

Translation of Foreign Entities

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

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

5.23 BUSINESS COMBINATIONS

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

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

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

5.24 OPERATING SEGMENTS

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

6. FUTURE ACCOUNTING CHANGES

IFRS standards and interpretations that are issued, but not yet effective as at December 31, 2015, are disclosed below. The Company intends to adopt these standards, as applicable, when they become effective.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 "Business Combinations." The amendment is effective for years beginning on or after January 1, 2016. The Company does not anticipate any material impact to the Company's financial position or results of operations from adoption of this standard.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments to IAS 16 prohibit entities from using revenue based depreciation methods for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The amendments are effective for years beginning on or after January 1, 2016 and are not expected to impact the Company's financial position or results of operations.

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 include amendments in the following areas: materiality, disaggregation and subtotals, note structures, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments are effective for years beginning on or after January 1, 2016 and will not impact the Company's financial position or results of operations.

IAS 28 Investments in Associates and Joint Ventures

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendment is effective for years beginning on or after January 1, 2016. The Company does not anticipate any material impact to the Company's financial position or results of operations from adoption of this standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18, "Revenue," IAS 11, "Construction Contracts," and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 is effective for years beginning on or after January 1, 2018. The Company has not yet determined the impact of adopting IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for classifying and measuring financial instruments and is a partial replacement of IAS 39, "Financial Instruments: Recognition and Measurement." The standard is effective for accounting periods beginning on or after January 1, 2018, with early adoption permitted. The Company has not yet determined the impact of adopting IFRS 9.

7. TRADE AND OTHER RECEIVABLES

	December 31, 2015	December 31, 2014
	$	$
Trade receivables	348,655	277,972
Allowance for doubtful accounts	(1,840)	(1,854)
	346,815	276,118
Holdbacks receivable	206,374	186,267
Other	1,513	6,561
	207,887	192,828
Total	554,702	468,946
Amounts receivable beyond one year	69,705	76,471

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

	December 31, 2015	December 31, 2014
	$	$
Balance – beginning of year	(1,854)	(1,933)
Additional amounts provided for during year	(645)	(1,487)
Trade receivables written off during year	–	23
Amounts recovered	659	1,543
Balance – end of year	(1,840)	(1,854)

8. UNBILLED REVENUE AND DEFERRED REVENUE

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

	December 31, 2015	December 31, 2014
	$	$
Earned revenue on projects to date	5,949,783	5,834,542
Less: Billings on projects to date	5,787,513	5,651,257
Net consolidated balance sheet position	162,270	183,285
Reported as:		
Unbilled revenue	347,533	301,402
Deferred revenue	(185,263)	(118,117)
	162,270	183,285

9. INVENTORIES

	December 31, 2015	December 31, 2014
	$	$
Raw materials and supplies	3,468	8,072
Finished goods	24,613	23,214
	28,081	31,286

10. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

	December 31, 2015			December 31, 2014		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
	$	$	$	$	$	$
Cash and cash equivalents	49,262	7,256	56,518	2,290	5,452	7,742
Other current assets	26,945	8,803	35,748	56,841	17,780	74,621
Total current assets	76,207	16,059	92,266	59,131	23,232	82,363
Non-current assets	162,003	15	162,018	418,294	1,248	419,542
Total assets	238,210	16,074	254,284	477,425	24,480	501,905
Trade and other payables and provisions	22,796	7,118	29,914	20,588	7,539	28,127
Other current financial liabilities	1,842	–	1,842	15,090	43	15,133
Total current liabilities	24,638	7,118	31,756	35,678	7,582	43,260
Non-current financial liabilities	195,845	–	195,845	134,571	–	134,571
Other non-current liabilities	505	547	1,052	78,347	–	78,347
Total non-current liabilities	196,350	547	196,897	212,918	–	212,918
Total liabilities	220,988	7,665	228,653	248,596	7,582	256,178
Net assets	17,222	8,409	25,631	228,829	16,898	245,727

	For the year ended					
	December 31, 2015			December 31, 2014		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
	$	$	$	$	$	$
Revenue	226,471	36,163	262,634	112,194	56,726	168,920
Depreciation and amortization	(7,059)	–	(7,059)	(14,583)	–	(14,583)
Other costs	(188,850)	(31,311)	(220,161)	(57,285)	(48,920)	(106,205)
Operating profit	30,562	4,852	35,414	40,326	7,806	48,132
Finance costs	(10,307)	–	(10,307)	(13,416)	–	(13,416)
Income tax expense	(1,326)	(547)	(1,873)	(31)	–	(31)
Non-controlling interest	(958)	–	(958)	(1,690)	–	(1,690)
Profit for the year	17,971	4,305	22,276	25,189	7,806	32,995
Other comprehensive income	13,831	–	13,831	19,437	–	19,437
Total comprehensive income	31,802	4,305	36,107	44,626	7,806	52,432

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

	2015	2014
	$	$
Projects accounted for using the equity method – as at January 1	245,727	232,467
Share of profit for the year	22,276	32,995
Share of other comprehensive income for the year	13,831	19,437
Investment in joint venture sold (see Note 24)	(243,536)	–
Distributions from projects accounted for using the equity method	(12,667)	(39,172)
Projects accounted for using the equity method – as at December 31	25,631	245,727

The following joint ventures and associates are included in projects accounted for using the equity method:

Name	Joint Venture or Associate	Years included
Yellowline Asphalt Products Ltd.	Joint Venture	2015, 2014
Lower Mattagami Project	Associate	2015, 2014
Airlinx Transit Partners SPV	Joint Venture	2014
Waterloo LRT Concessionaire	Joint Venture	2015, 2014
Eglinton Crosstown LRT Concessionaire	Joint Venture	2015
Quito Airport Concessionaire	Joint Venture	2015, 2014
New Post Creek Project	Associate	2015

Projects accounted for using the equity method include various concession and special purpose vehicle ("SPV") joint ventures as listed above. However, the construction activities related to these concessions and SPVs are classified as joint operations which are accounted for in the consolidated financial statements by reflecting, line by line, Aecon's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment, furniture and fixtures, and computer hardware	Vehicles	Heavy equipment	Total
	$	$	$	$	$	$	$	$
Cost								
Balance as at January 1, 2015	34,441	91,089	53,384	252,878	30,141	67,170	259,393	788,496
Additions	11	1,986	334	24,318	2,959	8,757	10,504	48,869
Disposals	(869)	(5,563)	(116)	(25,167)	(4,831)	(9,434)	(5,416)	(51,396)
Balance as at December 31, 2015	33,583	87,512	53,602	252,029	28,269	66,493	264,481	785,969
Accumulated depreciation and impairment								
Balance as at January 1, 2015	–	34,952	13,659	124,357	20,101	44,886	57,433	295,388
Depreciation	–	5,463	2,131	23,883	4,244	8,680	17,893	62,294
Disposals	–	(4,100)	(116)	(17,992)	(4,370)	(8,984)	(2,013)	(37,575)
Balance as at December 31, 2015	–	36,315	15,674	130,248	19,975	44,582	73,313	320,107
Net book value as at December 31, 2015	**33,583**	**51,197**	**37,928**	**121,781**	**8,294**	**21,911**	**191,168**	**465,862**
Net book value as at January 1, 2015	**34,441**	**56,137**	**39,725**	**128,521**	**10,040**	**22,284**	**201,960**	**493,108**
Net book value of assets under finance lease as at December 31, 2015	**–**	**–**	**75**	**48,424**	**257**	**18,791**	**23,927**	**91,474**

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment, furniture and fixtures, and computer hardware	Vehicles	Heavy equipment	Total
	$	$	$	$	$	$	$	$
Cost								
Balance as at January 1, 2014	34,071	88,685	53,268	244,939	29,083	63,894	253,408	767,348
Additions	370	3,749	116	21,801	4,013	10,228	10,716	50,993
Disposals	–	(1,371)	–	(13,862)	(2,959)	(6,956)	(4,731)	(29,879)
Foreign currency translation adjustments	–	26	–	–	4	4	–	34
Balance as at December 31, 2014	34,441	91,089	53,384	252,878	30,141	67,170	259,393	788,496
Accumulated depreciation and impairment								
Balance as at January 1, 2014	–	30,104	12,326	109,089	18,531	42,307	42,734	255,091
Depreciation	–	5,561	1,333	24,103	4,351	9,098	16,386	60,832
Disposals	–	(725)	–	(8,835)	(2,783)	(6,523)	(1,687)	(20,553)
Foreign currency translation adjustments	–	12	–	–	2	4	–	18
Balance as at December 31, 2014	–	34,952	13,659	124,357	20,101	44,886	57,433	295,388
Net book value as at December 31, 2014	**34,441**	**56,137**	**39,725**	**128,521**	**10,040**	**22,284**	**201,960**	**493,108**
Net book value as at January 1, 2014	**34,071**	**58,581**	**40,942**	**135,850**	**10,552**	**21,587**	**210,674**	**512,257**
Net book value of assets under finance lease as at December 31, 2014	**–**	**–**	**75**	**51,407**	**875**	**18,848**	**26,053**	**97,258**

12. INTANGIBLE ASSETS

	Goodwill	Licences, software and other rights	Total
	$	$	$
Cost			
Balance as at January 1, 2015	52,574	55,738	108,312
Additions			
Acquired separately	–	21,403	21,403
Interest capitalized	–	1,070	1,070
Disposals[a]	(3,201)	(904)	(4,105)
Balance as at December 31, 2015	**49,373**	**77,307**	**126,680**
Accumulated amortization and impairment			
Balance as at January 1, 2015	–	9,818	9,818
Amortization	–	5,752	5,752
Disposals	–	(886)	(886)
Balance as at December 31, 2015	**–**	**14,684**	**14,684**
Net book value as at December 31, 2015	**49,373**	**62,623**	**111,996**
Net book value as at January 1, 2015	**52,574**	**45,920**	**98,494**

	Goodwill	Licences, software and other rights	Total
	$	$	$
Cost			
Balance as at January 1, 2014	53,783	27,488	81,271
Additions	–	29,986	29,986
Interest capitalized	–	709	709
Disposals	(1,209)	(2,457)	(3,666)
Foreign currency translation adjustments and other changes	–	12	12
Balance as at December 31, 2014	**52,574**	**55,738**	**108,312**
Accumulated amortization and impairment			
Balance as at January 1, 2014	–	9,511	9,511
Amortization	–	2,753	2,753
Disposals	–	(2,457)	(2,457)
Foreign currency translation adjustments and other changes	–	11	11
Balance as at December 31, 2014	**–**	**9,818**	**9,818**
Net book value as at December 31, 2014	**52,574**	**45,920**	**98,494**
Net book value as at January 1, 2014	**53,783**	**17,977**	**71,760**

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

(a) Refer to Note 24 “Other Income (Loss)” for further information on the reduction of goodwill resulting from the sale of IST.

Goodwill

The following CGUs or groups of CGUs have significant amounts of goodwill allocated to them for the purposes of impairment testing:

	December 31, 2015	December 31, 2014
	$	$
CGUs:		
Social Infrastructure – Mechanical Contracting	17,192	17,192
Transportation	14,063	14,063
Industrial West	9,879	9,879
Other	8,239	11,440
	49,373	52,574

The recoverable amounts of the above listed CGUs were determined based on fair value less costs to sell calculations. Fair value less costs to sell calculations use post-tax cash flow projections expected to be generated by the CGU based on financial budgets approved by management covering a two-year period. For the CGUs noted above, cash flows beyond the two-year period were extrapolated as at December 31, 2015 using a growth rate of 2% (2014 – 2%), which does not exceed the long-term average growth rate for the business in which the CGUs operate. The discount rate applied to cash flow projections as at December 31, 2015 was 8.5% (2014 – 9.0%) based on the Company's post-tax weighted average cost of capital. Detailed sensitivity analyses were conducted to assess the impact of changes in growth rates, costs of capital and cash flows on the recoverable amount, which has not indicated that the carrying amount of the CGU exceeds the recoverable amount. Budgeted cash flows were determined by management based on the Company's past performance, backlog currently on hand and future growth prospects. The fair value measurement is categorized as Level 3 in the fair value hierarchy in accordance with IFRS 13 "Fair Value Measurement" as described in Note 28.

13. BANK INDEBTEDNESS

The Company maintains a committed revolving credit facility of $400,000 (December 31, 2014 – $300,000). Bank indebtedness, representing borrowings on the Company's operating line of credit, as at December 31, 2015 was $nil (December 31, 2014 – $nil). Letters of credit amounting to $61,467 were issued against the credit facility as at December 31, 2015 (December 31, 2014 – $41,367). Cash drawings under the facility bear interest at rates between prime and prime plus 1.2% per annum. Letters of credit reduce the amount available-for-use under the facility. In 2015, the expiry date of the facility was extended to March 2019 and the amount available under the facility was increased from $300,000 to $400,000.

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

The Company also maintains an additional letter of credit facility of $500,000 (December 31, 2014 – $250,000) provided by Export Development Canada of which $216,486 was utilized as at December 31, 2015 (December 31, 2014 – $161,833).

14. TRADE AND OTHER PAYABLES

	December 31, 2015	December 31, 2014
	$	$
Trade payables and accrued liabilities	422,169	441,275
Holdbacks payable	85,677	73,125
	507,846	514,400
Amounts payable beyond one year	15,555	14,046

15. PROVISIONS

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
	(a)	(b)	(c)		
	$	$	$	$	$
Balance as at January 1, 2015	7,105	3,222	8,016	4,401	22,744
Additions made	1,687	260	4,981	2,493	9,421
Amounts used	(3,217)	(167)	(828)	(3,221)	(7,433)
Unused amounts reversed	(943)	–	–	–	(943)
Other changes	217	154	–	–	371
Balance as at December 31, 2015	**4,849**	**3,469**	**12,169**	**3,673**	**24,160**
Reported as:					
Current	**3,160**	**–**	**12,169**	**3,409**	**18,738**
Non-current	**1,689**	**3,469**	**–**	**264**	**5,422**
	4,849	**3,469**	**12,169**	**3,673**	**24,160**

a) Contract related obligations are made up of contract warranty obligations and litigation risks relating to construction operations. Contract warranty obligations relate to warranties provided by the Company in respect of its construction contracts. If not used during the warranty period, these amounts will be reversed into income. Warranty periods range from one to seven years.

b) Asset decommissioning costs relate to future legal and constructive obligations associated with the retirement of pits and quarries engaged in aggregate mining operations in Ontario and Alberta. Decommissioning obligations are expected to be settled between 2016 and 2108 at which point the amount of the liability will reverse. A 2% inflation factor has been applied to obtain the future value of the decommissioning costs, which has been discounted at a rate of 4.47% to obtain the present value of the obligation.

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

16. LONG-TERM DEBT

	December 31, 2015	December 31, 2014
	$	$
Long-term debt:		
Finance leases	69,323	91,648
Equipment and other loans	92,068	105,190
Total long-term debt	161,391	196,838
Reported as:		
Current liabilities:		
Long-term debt	56,033	83,226
Non-current liabilities:		
Long-term debt	105,358	113,612
	161,391	196,838

The following describes the components of long-term debt:

a) As at December 31, 2015, finance leases of $69,323 (2014–$91,648) bore interest at fixed and floating rates averaging 4.05% (2014–4.17%) per annum, with specific equipment provided as security.

b) As at December 31, 2015, equipment and other loans of $92,069 (2014–$105,190) bore interest at fixed and floating rates averaging 3.75% (2014–4.55%) per annum, with specific equipment provided as security.

The weighted average interest rate on total long-term debt outstanding (excluding convertible debentures) as at December 31, 2015 was 3.88% (2014–4.37%).

17. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	December 31, 2015	December 31, 2014
	$	$
Debt component:		
Debenture maturing on October 31, 2015	–	90,643
Debenture maturing on December 31, 2018	160,991	157,291
	160,991	247,934
Embedded derivative component:		
Debenture maturing on October 31, 2015	–	173
	–	173
Total convertible debentures	160,991	248,107
Reported as:		
Current liabilities		
Convertible debentures	–	90,816
Non-current liabilities:		
Convertible debentures	160,991	157,291
	160,991	248,107

	December 31, 2015	December 31, 2014
	$	$
Equity component:		
Debenture maturing on December 31, 2018	8,674	8,674

On November 27, 2013, the Company issued $172,500 of unsecured subordinated convertible debentures maturing December 31, 2018. The 2018 convertible debentures bear interest at a rate of 5.50%, payable on a semi-annual basis. At the holder's option, the 2018 convertible debentures may be converted into common shares of the Company at any time up to the maturity dates at a conversion price of $20.00, for each common share, subject to adjustment in certain circumstances. The 2018 convertible debentures will not be redeemable before December 31, 2016. The Company may, at its option, redeem the 2018 convertible debentures from December 31, 2016 to December 31, 2017, in whole or in part, at par plus accrued and unpaid interest provided the weighted average closing price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. From December 31, 2017 through to the maturity date, the Company, at its option, may redeem the 2018 convertible debentures, in whole or in part, at par plus accrued and unpaid interest. As at December 31, 2015, the face value of the 2018 convertible debentures, which remains outstanding, was $172,500.

The 2015 and 2014 convertible debentures matured on October 31, 2015 and September 30, 2014, respectively. The Company repaid in cash $91,989 (2014 – $172,495) of debentures at par, while $11 (2014 – $5) of debentures were converted at $19 per share by the holders into 578 common shares (2014 – 263).

For the 2018 convertible debentures, subject to specified conditions, the Company has the right to repay the outstanding principal amount of the convertible debentures, on maturity or redemption, through the issuance of common shares of the Company. The Company also has the option to satisfy its obligation to pay interest through the issuance and sale of additional common shares of the Company. The 2018 convertible debentures do not contain a cash settlement feature on conversion into common shares of the Company.

The debt component is accounted for at amortized cost using the effective interest rate method. Interest expense on the debentures is composed of the interest calculated on the face value of the debentures and notional interest representing the accretion of the carrying value of the debentures.

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

	December 31, 2015	December 31, 2014
	$	$
Interest expense on face value	(14,279)	(24,359)
Notional interest representing accretion	(5,059)	(9,238)
Fair value gain on convertible debentures	173	11,166
	(19,165)	(22,431)

18. INCOME TAXES

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

	December 31, 2015	December 31, 2014
	$	$
Profit before income taxes	113,846	35,439
Statutory income tax rate	26.25%	25.75%
Expected income tax expense	(29,885)	(9,125)
Effect on income taxes of:		
Projects accounted for using the equity method	5,072	6,276
Impact of change in enacted tax rates on deferred tax balances	(721)	(205)
Provincial and foreign rate differences	(443)	(858)
Non-deductible notional interest	(171)	(916)
Net non-deductible interest	–	398
Non-deductible stock-based compensation expenses	(10,333)	–
Other non-deductible expenses	(738)	(973)
Tax on disposal of investments	(14,666)	–
Taxable distributions from foreign affiliates	–	(731)
Reversal of tax provision from prior years	5,108	–
Other	1,608	737
	(15,284)	3,728
Income tax expense	(45,169)	(5,397)

Deferred taxes have been remeasured to reflect statutory enacted future tax rates.

Income Tax Expense:

	December 31, 2015	December 31, 2014
	$	$
Current tax on profits for the year	(3,696)	(3,135)
Adjustments in respect of prior years	451	391
Total current tax	(3,245)	(2,744)
Origination and reversal of temporary differences	(41,330)	(2,914)
Reversal of prior year tax provision	5,108	5,466
Impact of change in enacted tax rates on deferred tax balances	(721)	(205)
Total deferred tax	(36,943)	2,347
Provision for interest and penalties	(4,981)	(5,000)
Income tax expense	(45,169)	(5,397)

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

	2015					2014				
	January 1	(Charged) credited to the income statement	(Charged) credited to other comprehensive income	Other adjustment	December 31	January 1	(Charged) credited to the income statement	(Charged) credited to other comprehensive income	Charged to retained earnings	December 31
	$	$	$	$	$	$	$	$	$	$
Deferred tax assets										
Canadian components:										
Net operating and capital losses carried forward	72,092	(2,802)	–	–	69,290	80,663	(8,571)	–	–	72,092
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	4,501	(1,344)	–	–	3,157	5,146	(645)	–	–	4,501
Actuarial gains and losses	2,801	–	(229)	–	2,572	2,606	–	195	–	2,801
Offset in deferred tax liabilities	(53,494)	4,622	–	254	(48,618)	(45,881)	(7,613)	–	–	(53,494)
Total Canadian deferred income tax assets	**25,900**	**476**	**(229)**	**254**	**26,401**	**42,534**	**(16,829)**	**195**	**–**	**25,900**
Deferred tax liabilities										
Canadian components:										
Property, plant and equipment: net book value in excess of tax basis	(42,003)	(20,889)	–	–	(62,892)	(40,563)	(1,440)	–	–	(42,003)
Long-term contracts, including joint ventures[1]	(71,180)	(20,648)	–	–	(91,828)	(75,199)	4,019	–	–	(71,180)
Other temporary differences	608	398	–	–	1,006	(5,938)	6,546	–	–	608
Other long-term differences	1,857	2,137	–	254	4,248	(2,672)	4,854	(325)	–	1,857
Prior year adjustments related to Long-Term Incentive Plan	(1,322)	1,322	–	–	–	–	–	–	(1,322)	(1,322)
Convertible debentures	(4,460)	4,460	–	–	–	(1,501)	(2,959)	–	–	(4,460)
Discounting convertible debentures	(2,472)	423	–	–	(2,049)	(3,127)	655	–	–	(2,472)
Offset in deferred tax assets	53,494	(4,622)	–	(254)	48,618	45,881	7,613	–	–	53,494
Total Canadian deferred income tax liabilities	(65,478)	(37,419)	–	–	(102,897)	(83,119)	19,288	(325)	(1,322)	(65,478)
Foreign components:										
Long-term contracts, including joint ventures	(37)	–	37	–	–	–	–	(37)	–	(37)
Total deferred income tax liabilities	**(65,515)**	**(37,419)**	**37**	**–**	**(102,897)**	**(83,119)**	**19,288**	**(362)**	**(1,322)**	**(65,515)**
Total deferred income tax liabilities, net	**(39,615)**	**(36,943)**	**(192)**	**254**	**(76,496)**	**(40,585)**	**2,459**	**(167)**	**(1,322)**	**(39,615)**

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

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

The operations of the Company are complex and related tax interpretations, regulations and legislation are subject to change. The Company believes the amounts reported as deferred income tax liabilities adequately reflect management's current best estimate of its income tax exposures (see Note 15).

19. EMPLOYEE BENEFIT PLANS

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

The measurement date used for financial reporting purposes of the pension plan assets and benefit obligation is December 31. The most recent actuarial valuation filed for funding purposes for the principal defined benefit pension plan was completed as at December 31, 2013 and the next required actuarial valuation will be prepared with an effective date no later than December 31, 2016.

The defined benefit pension obligation is presented as part of Other Liabilities on the consolidated balance sheets.

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

	December 31, 2015	December 31, 2014
	$	$
Change in fair value of plan assets:		
Fair value of plan assets – beginning of year	42,359	39,530
Return on plan assets greater than discount rate	382	2,828
Net interest income	1,444	1,742
Plan administration costs	(56)	(87)
Company contributions	2,007	1,750
Plan participant contributions	83	102
Benefits paid	(7,219)	(3,506)
Fair value of plan assets – end of year	39,000	42,359
Change in benefit obligation:		
Benefit obligation – beginning of year	46,797	43,850
Current service cost	768	870
Actuarial gain due to actuarial experience	(165)	(173)
Actuarial (gain) loss due to financial assumption changes	(309)	3,466
Actuarial loss due to demographic assumption changes	–	294
Net interest cost	1,559	1,894
Benefits paid	(7,219)	(3,506)
Plan participant contributions	83	102
Benefit obligation – end of year	41,514	46,797
Funded status:		
Fair value of plan assets	39,000	42,359
Defined benefit obligation	(41,514)	(46,797)
Pension liabilities at December 31	(2,514)	(4,438)

	2015	2014
Weighted average assumptions used to calculate benefit obligation:		
Discount rate	3.75%	3.75%
Rate of increase in future compensation	3.00%	3.00%
Asset categories of pension assets:		
Debt securities	42.92%	43.61%
Equity securities	43.10%	43.60%
Cash and short-term notes	13.98%	12.79%

	December 31, 2015	December 31, 2014
	$	$
Defined benefit pension expense:		
Current service cost, net of employee contributions	768	870
Net interest cost	115	152
Plan administration costs	56	87
Defined benefit pension expense recognized in profit or loss	939	1,109
Actuarial (gain) loss recognized in other comprehensive income	(856)	758
Defined benefit pension expense	83	1,867
Other pension expense:		
Defined contribution pension expense	6,055	5,891
Multi-employer pension plan expense	86,057	60,834
Other pension expense	92,112	66,725
Weighted average assumptions used to calculate defined benefit pension expense:		
Discount rate	3.75%	4.50%
Rate of increase in future compensation	3.00%	3.00%

During 2016, the Company expects to make contributions of $1,264 to the defined benefit plans.

	December 31, 2015	December 31, 2014
	$	$
Total cash contribution for employee pension plans:		
Defined benefit plans	2,007	1,750
Defined contribution plans	6,055	5,891
Multi-employer pension plans	86,057	60,834
	94,119	68,475

The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future accounting valuations. As a result of the uncertainty associated with these estimates, there is no assurance that the plans will be able to earn the assumed rate of return on plan assets. Furthermore, market driven changes may result in changes to discount rates and other variables, which would result in the Company being required to make contributions to the plans in the future that may differ significantly from estimates. As a result, there is a significant amount of measurement uncertainty involved in the actuarial valuation process. This measurement uncertainty may lead to potential fluctuations in financial results attributable to the selection of actuarial assumptions and other accounting estimates involved in the determination of pension expense and obligations. A significant actuarial and accounting assumption impacting the reporting of pension plans is the discount rate assumption. As at December 31, 2015, the Company used a discount rate of 3.75% in its pension plan calculations for consolidated financial statement purposes. The impact of a 0.5% decrease in the discount rate assumption would have resulted in an increase in the pension benefit obligation of approximately $2,585 as at December 31, 2015 and an increase in the estimated 2016 pension expense of approximately $121.

The weighted average duration of the defined benefit obligation is 12 years.

20. CONTINGENCIES

The Company is involved in various disputes and litigation both as plaintiff and defendant. In the opinion of management, the resolution of disputes against the Company, including those provided for (see Note 15, "Provisions"), will not result in a material effect on the consolidated financial position of the Company.

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

Guarantees and letters of credit	Project	December 31, 2015	December 31, 2014
		$	$
Guarantees:			
Surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations, advance payment bond and retention release bond	Quito Airport Project	43,694	108,616
Letters of credit:			
In support of various project contingencies	Quito Airport Project	4,404	20,582
Financial and performance – issued in the normal conduct of business	Various	273,549	199,509

Under the terms of many of the Company's associate and joint arrangement contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. As at December 31, 2015, the value of uncompleted work for which the Company's associate and joint arrangement partners are responsible, and which the Company could be responsible for assuming, amounted to approximately $4,725,882 (December 31, 2014 – $1,248,525), a substantial portion of which is supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the respective associate or joint arrangement contract.

21. COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES

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

	Future minimum lease payments
	December 31, 2015
	$
Due within one year	15,297
Due beyond one and up to five years	27,689
Due beyond five years	4,034
	47,020

In 2015, minimum lease payments recognized as an operating lease expense were $17,628 (2014 – $14,234).

22. CAPITAL STOCK

	December 31, 2015		December 31, 2014	
	Number	Amount	Number	Amount
		$		$
Number of common shares outstanding – beginning of year	56,132,175	324,287	52,868,007	286,747
Common shares issued on exercise of share options	80,000	1,105	268,332	3,908
Common shares sold by the Trust of the long-term incentive plan (LTIP)	–	–	2,413,449	26,477
Transfers by the Trust to settle LTIP obligations	315,536	2,956	583,492	7,162
Common shares cancelled	–	–	(1,368)	(12)
Common shares issued on conversion of debentures	578	11	263	5
Equity settled shares	289,068	3,916	–	–
Number of common shares outstanding – end of year	56,817,357	332,275	56,132,175	324,287

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value. Including nil (December 31, 2014 – 315,536) common shares held by the LTIP Trust, the total number of common shares outstanding as at December 31, 2015 is 56,817,357 (December 31, 2014 – 56,447,711).

STOCK–BASED COMPENSATION

Long-Term Incentive Plan

In 2005 and 2014, the Company adopted Long-Term Incentive Plans (collectively "LTIP" or individually "2005 LTIP" or "2014 LTIP") to provide a financial incentive for its senior executives to devote their efforts to the long-term success of the Company's business. Awards to participants are based on the financial results of the Company and are made in the form of Deferred Share Units ("DSUs") or in the form of Restricted Share Units ("RSUs"). Awards made in the form of DSUs will vest only on the retirement or termination of the participant. Awards made in the form of RSUs will vest annually over three years. Compensation charges related to the LTIP are expensed over the estimated vesting period of the awards in marketing, general and administrative expenses. Awards made to individuals who are eligible to retire under the plan are assumed, for accounting purposes, to vest immediately.

In the second quarter of 2015, shareholder approval was received to settle all outstanding LTIP obligations under both the 2005 LTIP and 2014 LTIP through the issuance of common shares from treasury. As a consequence of this approval, all the LTIP and Director DSUs were reclassified for accounting purposes from a cash-settled plan to an equity-settled plan resulting in a decrease in accrued liabilities and an increase in contributed surplus of $32,437 and $1,569, respectively. Expenses in respect of equity-settled stock-based payment transactions continue to be recognized over the estimated vesting period of the awards. New equity-settled share-based payment transactions are measured at the grant date fair value. Expenses in respect of LTIP awards outstanding at the time the plan was reclassified to an equity-settled plan are recognized over the estimated vesting period of the awards based on the share price on the date the LTIP was classified as an equity-settled plan. Equity-settled share-based payment transactions are not remeasured once the grant date fair value has been determined.

Previously, expenses in respect of cash-settled stock-based payment transactions were recognized over the estimated vesting period of the awards, however, the fair value of the liability was also remeasured at each reporting date until settled. Changes in fair value were recognized in other income (loss) in the consolidated statements of income.

In 2014, 2.4 million common shares representing substantially all DSU share awards held by the LTIP Trust (the "Trust") were sold. The sale resulted in proceeds of $38,100 and an increase in share capital and retained earnings of $26,500 and $11,600 ($8,600 after tax), respectively. As a consequence of the sale of common shares by the Trust, the 2005 LTIP was reclassified for accounting purposes from an equity-settled plan to a cash-settled plan resulting in an increase in accrued liabilities of $6,700 and a decrease in retained earnings of $6,700 ($4,900 after tax). Expenses in respect of cash-settled stock-based payment transactions continue to be recognized over the estimated vesting period of the awards, however, the fair value of the liability is also remeasured at each reporting date until settled. Changes in fair value are recognized in other income (loss) in the consolidated statements of income.

The Trust held no common shares as at December 31, 2015 (December 31, 2014 – 315,536 shares). The Company has determined it holds a beneficial interest in the activities of the Trust that requires consolidation by the Company in accordance with IFRS 10 "Consolidated Financial Statements." Accordingly, as at December 31, 2015, share capital was reduced by nil (December 31, 2014 – $2,956) and accrued liabilities increased by the same amount.

In 2015, the Company recorded LTIP compensation charges of $13,338 (2014 – $9,587) and other loss of $6,055 (2014 – income $9,108) representing changes in fair value of the liability.

Other Derivatives

The Company has utilized total return swaps ("TRS") to reduce the variability of cash flows and, to a lesser extent, earnings associated with stock-based compensation awards that will settle in cash, namely, the DSUs and RSUs associated with the 2014 LTIP. The TRS do not qualify as accounting hedges and, therefore, the fair value adjustment at the end of each reporting period is recognized in other income (loss) in the consolidated statements of income. Each TRS had a term of one year or less, but each contract allowed for partial settlements, at the option of the Company, over the term and without penalty.

In 2014, the Company entered into TRS contracts covering 2.4 million of the Company's underlying common shares. As at December 31, 2015, none of the TRS contracts were outstanding. In 2015, the Company recognized a gain of $2,691 (2014 loss – $12,333) in other income (loss) related to the revaluation of the TRS contracts.

Stock Option Plans

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

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

	For the year ended December 31, 2015		For the year ended December 31, 2014	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		$		$
Balance outstanding – beginning of year	500,000	11.47	768,332	11.27
Exercised	(80,000)	9.66	(268,332)	10.91
Balance outstanding – end of year	420,000	11.81	500,000	11.47
Options exercisable – end of year	420,000	11.81	500,000	11.47

Share options outstanding as at December 31, 2015 had the following exercise prices and expiry dates:

Share options granted in	Number of shares	Exercise price	Expiry date
		$	
2011	50,000	9.66	March 11, 2016
2012	50,000	10.41	April 8, 2016
2012	140,000	12.95	March 7, 2017
2013	180,000	11.92	March 14, 2018
	420,000	11.81	

Unless subsequently modified, all option grants have a term of five years from the date of grant and vest immediately or over a three-year period.

Other Stock-Based Compensation – Director DSU Awards

In May 2014, the Board of Directors modified the director compensation program by replacing stock option grants to non-management directors with a director deferred share unit plan (the "Director DSU Plan"). A DSU is a right to receive an amount from the Company equal to the value of one common share. Commencing in 2014, directors have the option of receiving up to 50% of their annual retainer fee, that is otherwise payable in cash, in the form of DSUs pursuant to the Director DSU Plan. The number of DSUs awarded to a director is equal to the value of the compensation that a director elects to receive in DSUs or the value awarded by the Company on an annual basis divided by the volume weighted average trading price of a common share on the TSX for the five trading days prior to the date of the award. DSUs are redeemable on the first business day following the date the director ceases to serve on the Board.

As equity settled awards, Director DSUs are expensed in full on the date of grant and recognized in marketing, general and administrative expenses in the consolidated statements of income. Director DSUs have accompanying dividend equivalent rights, which are also expensed as earned in marketing, general and administrative expenses.

For the year ended December 31, 2015, the Company recorded Director DSU compensation charges of $744 (2014 – $603).

Details of the changes in the balance of LTIP awards and Director DSUs outstanding are detailed below:

	For the year ended December 31, 2015		For the year ended December 31, 2015	
	LTIP Share Units	Weighted Average Grant Date Fair Value Per Unit	Director DSU	Weighted Average Grant Date Fair Value Per Unit
		$		$
Balance outstanding – beginning of period	3,267,266	11.62	46,936	16.80
Granted	966,679	11.66	73,804	11.52
Dividend equivalent rights	121,429	11.64	3,232	14.04
Settled	(945,652)	12.74	–	–
Forfeited	(11,161)	16.74	(66)	16.81
Balance outstanding – end of period	3,398,561	11.35	123,906	13.47

Amounts included in contributed surplus in the consolidated balance sheets as at December 31, 2015 in respect of LTIP and Director DSUs were $34,700 (December 31, 2014 – $nil) and $1,669 (December 31, 2014 – $nil), respectively.

23. EXPENSES

Expenses for the year were as follows:

	December 31, 2015	December 31, 2014
	$	$
Personnel	1,060,106	1,111,116
Subcontractors	827,511	612,573
Materials	628,194	473,329
Equipment costs	260,241	302,912
Depreciation of property, plant and equipment and amortization of intangible assets	68,046	63,585
Other expenses	13,802	6,801
Total expenses	2,857,900	2,570,316

Reported as:

	December 31, 2015	December 31, 2014
	$	$
Direct costs and expenses	2,620,007	2,343,042
Marketing, general and administrative expenses	169,847	163,689
Depreciation and amortization	68,046	63,585
Total expenses	2,857,900	2,570,316

24. OTHER INCOME (LOSS)

	December 31, 2015	December 31, 2014
	$	$
Foreign exchange gain (loss)	(762)	157
Gain (loss) on sale of property, plant and equipment	1,368	(953)
Loss on mark-to-market of LTIP program	(3,363)	(3,224)
Restructuring costs	–	(9,029)
Gain on sale of subsidiary and concession investment	62,935	–
Total other income (loss)	60,178	(13,049)

The net mark-to-market gain (loss) related to the LTIP program results from remeasuring both the LTIP liability and related total return swaps, at fair value at the reporting dates. See Note 22, "Capital Stock," for further details.

Included in restructuring costs of $9,029 in 2014 are personnel and other costs of $6,474 associated with an organizational restructuring, which impacted each of the Infrastructure, Energy and Mining segments in the fourth quarter of 2014. Restructuring costs also include a loss on disposal of a subsidiary of $2,555 in the first quarter of 2014 that resulted from the closure of the buildings business unit in Seattle within the Infrastructure segment. The resulting loss included a $1,209 write-down of goodwill and $1,346 of personnel and other closure costs.

On April 10, 2015, the Company sold its wholly owned subsidiary, Innovative Steam Technologies Inc. ("IST"). Gross cash proceeds of the sale were $35,000, with potential additional proceeds over the following two years contingent on IST achieving certain earn-out conditions based on performance. For the year ended December 31, 2015, a gain of $14,140 was included in other income (loss) in the consolidated statements of income (2014 – $nil).

IST designs, engineers, manufactures and installs Once Through Steam Generators ("OTSGs") for the power generation and enhanced oil recovery industries. The financial results of IST are reported in the Energy segment.

On December 10, 2015, the Company sold its 45.5% interest in the Quito International Airport concessionaire, Corporacion Quiport S.A. ("Quiport"), to Grupo Odinsa S.A. and CCR S.A. The sale resulted in gross proceeds of $291,610 (US$ 232,600) and a pre-tax gain on sale of $48,796, which was included in other income (loss) in the consolidated statements of income at December 31, 2015 (2014 – $nil). The financial results of Quiport are reported in the Concessions segment.

25. FINANCE COSTS

Finance costs for the year ended were as follows:

	December 31, 2015	December 31, 2014
	$	$
Interest and notional interest on long-term debt and debentures	23,164	35,082
Interest on finance leases	3,969	5,220
Interest on short-term debt	2,575	1,812
Notional interest on provisions	371	230
Total finance costs	30,079	42,344

26. EARNINGS PER SHARE

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

	December 31, 2015	December 31, 2014
	$	$
Profit attributable to shareholders	68,677	30,042
Interest on convertible debentures, net of tax [1]	14,387	25,604
Fair value (gain) on convertible debentures, net of tax	(128)	(8,206)
Diluted net earnings	82,936	47,440
Average number of common shares outstanding	56,358,115	54,133,293
Effect of dilutive securities:[1]		
Options	23,885	112,142
Convertible debentures [1]	20,807,410	29,783,484
LTIP awards outstanding and shares held in trust account in respect of LTIP	3,522,466	315,536
Weighted average number of diluted common shares outstanding	80,711,876	84,344,455
Basic earnings per share	1.22	0.55
Diluted earnings per share [1]	1.03	0.51

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

27. SUPPLEMENTARY CASH FLOW INFORMATION

Change in other balances relating to operations

	December 31, 2015	December 31, 2014
	$	$
Decrease (increase) in:		
Trade and other receivables	(95,091)	38,344
Unbilled revenue	(50,973)	25,059
Inventories	(1,586)	(2,583)
Prepaid expenses	(1,585)	416
Increase (decrease) in:		
Trade and other payables	37,981	(43,268)
Provisions	(7,794)	(1,670)
Deferred revenue	74,602	(11,737)
	(44,446)	4,561

Cash flows from interest

	For the year ended	
	December 31, 2015	December 31, 2014
	$	$
Operating activities		
Cash interest paid	(26,051)	(35,646)
Cash interest received	416	959

	For the year ended	
	December 31, 2015	December 31, 2014
	$	$
Non-cash transactions		
Property, plant and equipment acquired and financed by finance leases	18,602	22,527

28. FINANCIAL INSTRUMENTS

Fair value

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. As at December 31, 2015, the Company had outstanding contracts to buy €0, sell US$17,100 and buy US$900 (December 31, 2014 – buy €272, sell US$12,491 and buy US$401) on which there was a net unrealized exchange loss of $1,972 (December 31, 2014 – loss of $593). The net unrealized exchange gain or loss represents the estimated amount the Company would have received/paid if it terminated the contracts at the end of the respective periods, and is included in other income (loss) in the consolidated statements of income.

IFRS 13 "Fair Value Measurement" enhances disclosures about fair value measurements. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

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

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

	As at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Financial assets (liabilities) measured at fair value:				
Cash flow hedge	(1,733)	–	(1,733)	–
Financial assets (liabilities) disclosed at fair value:				
Current portion of long-term debt	(59,957)	–	(59,957)	–
Long-term debt	(108,368)	–	(108,368)	–
Convertible debentures	(181,125)	(181,125)	–	–

The fair value of the cash flow hedge is determined using the US/Canadian dollar foreign exchange on the last business day of the fiscal period.

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

	December 31, 2015
	$
Convertible debentures – embedded derivatives – opening balance	(173)
Net gain recognized in income during the year	173
Convertible debentures – embedded derivatives – ending balance	–

During the year ended December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Risk management

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

Credit risk

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

Credit risk associated with cash and short-term deposits is minimized by ensuring these financial assets are placed with financial institutions with investment grade credit ratings and by placing a limit on the amount that can be invested with any single financial institution.

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

Concentration of credit risk associated with accounts receivable, holdbacks receivable and unbilled revenue is limited by the Company's diversified customer base and its dispersion across different business and geographic areas. The credit quality of the Company's significant customers is monitored on an ongoing basis and allowances are provided for potential losses that have been incurred at the consolidated balance sheet date. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired. The Company provides an allowance for credit losses in the year in which there is objective evidence of impairment on a case by case basis when they are over 60 days past due or if there is an indication a customer will not be satisfying their payment obligation.

As at December 31, 2015, the Company had $86,150 in trade receivables that were past due. Of this amount, $54,449 was over 60 days past due, against which the Company has recorded an allowance for doubtful accounts of $1,840.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash or another financial asset.

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

Contractual maturities for financial liabilities as at December 31, 2015 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total undiscounted cash flows	Effect of interest	Carrying value
	$	$	$	$	$	$
Trade and other payables	492,291	16,406	–	508,697	(851)	507,846
Finance leases	34,414	55,471	119	90,004	(20,681)	69,323
Equipment and other loans	25,765	52,483	2,615	80,863	11,205	92,068
	60,179	107,954	2,734	170,867	(9,476)	161,391
Convertible debentures	–	172,500	–	172,500	(11,509)	160,991
Long-term financial liabilities	60,179	280,454	2,734	343,367	(20,985)	322,382

Interest rate risk

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

For the year ended December 31, 2015, a 1% increase or a 1% decrease in interest rates applied to the Company's variable rate long-term debt would not have a significant impact on net earnings or comprehensive income.

Currency risk

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

As at December 31, 2015, the sensitivity to profit or loss of a 10% change in the US dollar against the Canadian dollar to profit or loss for currency exposures other than those discussed above is $2,053. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures and hedges and adjusts their translation at year-end for the above 10% change in foreign currency rates.

As at December 31, 2015, the interest rate profile of the Company's long-term debt was as follows:

	$
Fixed rate instruments	133,540
Variable rate instruments	27,851
Total long-term debt	161,391
Fixed rate convertible debentures	160,991

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

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

Additional information on financial instruments:

	Held-to-maturity	Loans and receivables	Amortized cost	Total carrying amount	Total fair value
	$	$	$	$	$
Cash and cash equivalents	–	282,732	–	282,732	282,732
Trade and other receivables	–	554,702	–	554,702	554,702
Unbilled revenue	–	347,533	–	347,533	347,533
Long-term financial assets	1,543	750	–	2,293	2,293
	1,543	1,185,717	–	1,187,260	1,187,260
Trade and other payables	–	–	507,846	507,846	507,846
Current portion of long-term debt	–	–	56,033	56,033	59,957
Long-term debt	–	–	105,358	105,358	108,368
Convertible debentures	–	–	160,991	160,991	181,125
	–	–	830,228	830,228	857,296

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

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

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

Convertible debentures are discussed further in Note 17.

29. CAPITAL DISCLOSURES

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

The Company's principal objectives in managing capital are:

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

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

Although the Company monitors capital on a number of bases, including liquidity and working capital, total debt (excluding non-recourse debt and drawings on the Company's credit facility presented as bank indebtedness) as a percentage of total capitalization (debt to capitalization percentage) is considered to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. As at December 31, 2015, the debt to capitalization percentage including convertible debentures as debt was 31% (December 31, 2014 – 40%). If the convertible debentures were to be excluded from debt and added to equity on the basis that they could be redeemed for equity, either at the Company's option or at the holder's option, then the adjusted debt to capitalization percentage would be 16% as at December 31, 2015 (December 31, 2014 – 18%). While the Company believes this debt to capitalization percentage is acceptable, because of the cyclical nature of its business, the Company will continue its current efforts to maintain a conservative capital position.

As at December 31, 2015, the Company complied with all of its financial debt covenants.

30. OPERATING SEGMENTS

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

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

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

The **Energy segment** encompasses a full suite of service offerings to the energy sector including industrial construction and manufacturing activities such as in-plant construction, site construction and module assembly. The activities of the Energy segment are concentrated predominantly in Canada. However, until its sale in April 2015, Aecon's subsidiary, Innovative Steam Technologies Inc. ("IST"), marketed and sold "once-through" heat recovery steam generators and enhanced oil recovery boilers throughout the world. The Energy segment focuses primarily on oil and gas, power generation, utilities, and energy support services sectors.

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

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

	For the year ended December 31, 2015					
	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
	$	$	$	$	$	$
Consolidated Statements of Income						
External customer revenue	955,340	1,263,119	695,941	3,683	–	2,918,083
Inter-segment revenue	3,403	5,071	10,179	–	(18,653)	–
Total revenue	958,743	1,268,190	706,120	3,683	(18,653)	2,918,083
Which includes:						
Construction revenue	958,743	1,268,190	706,120	–	(18,653)	2,914,400
Concession revenue	–	–	–	3,683	–	3,683
Expenses	(938,466)	(1,235,303)	(654,150)	(10,213)	(19,768)	(2,857,900)
Which include:						
Depreciation and amortization	(17,941)	(15,192)	(25,235)	(81)	(9,597)	(68,046)
Other income (loss):						
Foreign exchange gain (loss)	(157)	(2,150)	1,025	744	(225)	(763)
Gain on sale of subsidiary and concessionaire investment	–	14,140	–	48,797	–	62,937
Gain (loss) on sale of property, plant and equipment	3,413	1,171	(3,180)	–	(37)	1,367
(Loss) on mark-to-market of LTIP program	–	–	–	–	(3,363)	(3,363)
Income from projects accounted for using the equity method	6,093	277	1,291	14,615	–	22,276
Operating profit	29,626	46,325	51,106	57,626	(42,046)	142,637
Finance income (cost):						
Finance income						1,115
Finance costs						(30,079)
Fair value gain on convertible debentures						173
Profit before income taxes						113,846
Income tax expense						(45,169)
Profit for the period						68,677

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
	$	$	$	$	$	$
Consolidated Balance Sheets as at December 31, 2015						
Segment assets	690,717	614,524	363,361	99,651	106,109	1,874,362
Which include:						
Projects accounted for using the equity method	21,719	547	3,707	(342)	–	25,631
Segment liabilities	459,235	205,216	184,652	11,294	295,913	1,156,310
Additions to non-current assets:						
Property, plant and equipment	12,720	15,863	17,445	–	2,841	48,869
Intangible assets	–	200		–	22,273	22,473

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
						For the year ended December 31, 2014
	$	$	$	$	$	$
Consolidated Statements of Income						
External customer revenue	868,786	1,228,422	513,963	2,907	–	2,614,078
Inter-segment revenue	3,117	22,964	2,144	–	(28,225)	–
Total revenue	871,903	1,251,386	516,107	2,907	(28,225)	2,614,078
Which includes:						
Construction revenue	871,903	1,251,386	516,107	–	(28,225)	2,611,171
Concession revenue	–	–		2,907	–	2,907
Expenses	(868,240)	(1,193,749)	(495,590)	(9,300)	(3,437)	(2,570,316)
Which include:						
Depreciation and amortization	(17,426)	(14,890)	(24,643)	(238)	(6,388)	(63,585)
Other income (loss):						
Foreign exchange gain (loss)	47	(881)	496	510	(15)	157
Restructuring costs	(4,456)	(1,788)	(913)	–	(1,872)	(9,029)
Gain (loss) on sale of property, plant and equipment	1,074	811	(2,958)	–	120	(953)
(Loss) on mark-to-market of LTIP program	–	–	–	–	(3,224)	(3,224)
Income from projects accounted for using the equity method	4,110	780	3,513	24,592	–	32,995
Operating profit (loss)	4,438	56,559	20,655	18,709	(36,653)	63,708
Finance income (cost):						
Finance income						2,909
Finance costs						(42,344)
Fair value gain on convertible debentures						11,166
Profit before income taxes						35,439
Income tax expense						(5,397)
Profit for the period						30,042

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
	$	$	$	$	$	$
Consolidated Balance Sheets as at December 31, 2014						
Segment assets	758,109	556,318	449,228	243,634	(177,179)	1,830,110
Which include:						
Projects accounted for using the equity method	21,291	1,569	8,266	214,601	–	245,727
Segment liabilities	655,723	158,386	310,723	190,705	(141,377)	1,174,160
Additions to non-current assets:						
Property, plant and equipment	10,420	18,945	18,868	–	2,760	50,993
Intangible assets	–	24	–	–	30,671	30,695

Geographic segment information:

	December 31, 2015	December 31, 2014
	$	$
Revenue from external customers:		
Canada	2,894,650	2,562,745
USA	21,435	36,961
International	1,998	14,372
	2,918,083	2,614,078
Property, plant, equipment and intangible assets		
Canada	577,828	591,333
USA	30	31
International	–	238
	577,858	591,602

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

Revenue from the Company's largest customer accounted for approximately 12% of consolidated revenue for the year ended December 31, 2015. The customer and its affiliated entities are located in Canada, with revenue recorded primarily in the Mining segment.

31. RELATED PARTIES

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

Subsidiary	Jurisdiction of Incorporation
Aecon Construction Group Inc.	Canada
Aecon Construction and Materials Limited	Ontario
Canonbie Contracting Limited	Alberta
Aecon Water Infrastructure Inc.	Alberta
Aecon Transportation West Ltd. (formerly, South Rock Ltd.)	Alberta
West Carleton Sand and Gravel Inc.	Ontario
Lockerbie Stanley Inc.	Alberta

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

Joint arrangements and associates	Country of operations	Ownership interests	Nature of activities
Waneta Dam Project	Canada	60.0%	Construction
IPF Cold Lake and Polaris Pipelines Project	Canada	50.0%	Construction
Northeast Anthony Henday Drive Project	Canada	22.5%	Construction
Lower Mattagami Project	Canada	20.0%	Construction
Port Mann Project	Canada	40.0%	Construction
Capilano Tunnel Project	Canada	30.0%	Construction
TTC Sheppard South Project	Canada	30.0%	Construction
OPG Darlington RFR Project	Canada	50.0%	Construction
Eglinton Tunnel	Canada	50.0%	Construction
Syncrude Sustainment Project	Canada	50.0%	Construction
John Hart Generating Station Project	Canada	60.0%	Construction
Waterloo LRT Project	Canada	51.0%	Construction
Waterloo LRT Concessionaire	Canada	10.0%	Concession
York Viva Bus Rapid Transit Project	Canada	50.0%	Construction
Regina Wastewater Treatment Plant Project	Canada	50.0%	Construction
Eglinton Crosstown Light Rail Transit Project	Canada	25.0%	Construction
Eglinton Crosstown LRT Concessionaire	Canada	25.0%	Concession

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

	December 31, 2015	December 31, 2014
	$	$
Short-term employee benefits	7,674	5,145
Post-employment benefits	99	88
Stock-based payments	4,530	4,740
	12,303	9,973

32. COMPARATIVE FIGURES

Certain comparative figures for 2014 have been reclassified to conform to the presentation adopted in the current year. In the consolidated statements of income for the year ended December 31, 2014, direct costs and expenses decreased by $13,757 and marketing, general and administrative expenses increased by $13,757.

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BOARD OF DIRECTORS

John M. Beck
Executive Chairman
Aecon Group Inc.

Terrance L. McKibbon ICD.D
President and Chief Executive Officer
Aecon Group Inc.

Michael A. Butt
Chairman and Chief Executive Officer
Buttcon Limited

Joseph A. Carrabba
Corporate Director

Anthony P. Franceschini
Corporate Director

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

Monica Sloan ICD.D
Managing Director
JKS Holdings Ltd.

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

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EXECUTIVE COMMITTEE

John M. Beck
Executive Chairman

Terrance L. McKibbon
President and Chief Executive Officer

Paula Palma
Executive Vice President and
Chief People and Information Officer

David Smales
Executive Vice President and
Chief Financial Officer

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

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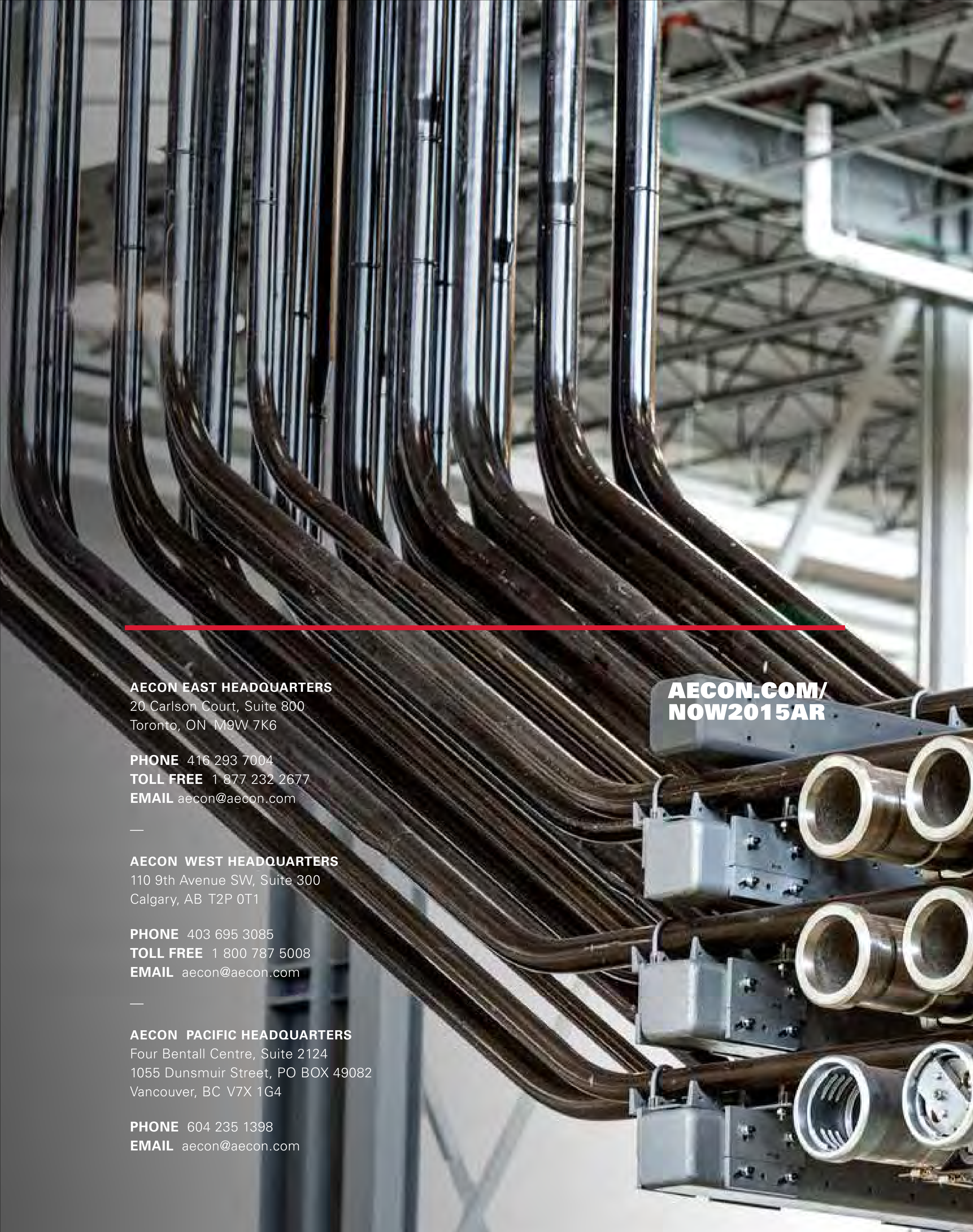

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