AECON GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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Independent auditor's report

To the Shareholders of Aecon Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aecon Group Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2019 and 2018;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

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Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Daniel D'Archivio.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 3, 2020

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2019 AND DECEMBER 31, 2018

(in thousands of Canadian dollars)

	Note	December 31 2019	December 31 2018
ASSETS			
Current assets			
Cash and cash equivalents	8	$ 682,264	$ 630,976
Restricted cash	8	76,595	193,369
Trade and other receivables	9	682,105	697,611
Unbilled revenue	10	598,858	573,678
Inventories	11	24,899	20,751
Income tax recoverable		9,576	3,980
Prepaid expenses		55,107	26,448
		2,129,404	2,146,813
Non-current assets			
Long-term financial assets		7,136	12,055
Projects accounted for using the equity method	12	45,513	39,475
Deferred income tax assets	21	26,725	22,507
Property, plant and equipment	13	351,404	266,199
Intangible assets	14	554,456	445,643
		985,234	785,879
TOTAL ASSETS		$ 3,114,638	$ 2,932,692
LIABILITIES			
Current liabilities			
Trade and other payables	16	773,734	705,760
Provisions	17	20,473	14,695
Deferred revenue	10	483,128	508,306
Income taxes payable		20,437	2,644
Current portion of long-term debt	18	60,071	32,505
		1,357,843	1,263,910
Non-current liabilities			
Provisions	17	6,348	5,514
Non-recourse project debt	18	365,894	383,746
Long-term debt	18	145,682	69,707
Convertible debentures	19	164,351	159,775
Concession related deferred revenue	20	101,369	106,330
Deferred income tax liabilities	21	115,087	117,626
Other liabilities		68	1,022
		898,799	843,720
TOTAL LIABILITIES		2,256,642	2,107,630
EQUITY			
Capital stock	24	394,291	386,453
Convertible debentures	19	12,707	12,707
Contributed surplus		48,858	47,006
Retained earnings		403,821	369,505
Accumulated other comprehensive income (loss)		(1,681)	9,391
TOTAL EQUITY		857,996	825,062
TOTAL LIABILITIES AND EQUITY		$ 3,114,638	$ 2,932,692

Contingencies (Note 23)

Approved by the Board of Directors   John M. Beck, Director   Deborah S. Stein, Director

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	Note	December 31 2019	December 31 2018
Revenue		$ 3,460,418	$ 3,266,291
Direct costs and expenses	25	(3,092,814)	(2,909,171)
Gross profit		367,604	357,120
Marketing, general and administrative expense	25	(183,434)	(178,522)
Depreciation and amortization	25	(94,127)	(103,832)
Income from projects accounted for using the equity method	12	12,491	13,150
Other income	26	4,737	1,506
Operating profit		107,271	89,422
Finance income		2,060	1,256
Finance cost	27	(22,557)	(23,651)
Profit before income taxes		86,774	67,027
Income tax expense	21	(13,921)	(8,013)
Profit for the year		$ 72,853	$ 59,014
Basic earnings per share	28	$ 1.20	$ 0.99
Diluted earnings per share	28	$ 1.12	$ 0.94

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(in thousands of Canadian dollars)

	December 31 2019	December 31 2018
Profit for the year	**$ 72,853**	$ 59,014
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Actuarial gain - employee benefit plans	**1,293**	1,067
Income taxes on the above	**(346)**	(285)
	947	782
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences - foreign operations	**(4,446)**	5,408
Cash flow hedges - equity accounted investees	**(3,006)**	(6,085)
Cash flow hedges - joint operations	**(7,298)**	10,949
Income taxes on the above	**2,731**	(1,288)
Total other comprehensive income (loss) for the year	**(11,072)**	9,766
Comprehensive income for the year	**$ 61,781**	$ 68,780

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(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 December 31, 2018	**$ 386,453**	**$ 12,707**	**$ 47,006**	**$ 369,505**	**$ 3,748**	**$ 1,227**	**$ 4,416**	**$ 825,062**
Change in accounting policy (see Note 6)	-	-	-	1,336	-	-	-	**1,336**
Adjusted balance as at January 1, 2019	**386,453**	**12,707**	**47,006**	**370,841**	**3,748**	**1,227**	**4,416**	**826,398**
Profit for the year	-	-	-	72,853	-	-	-	**72,853**
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(4,446)	-	-	**(4,446)**
Actuarial gain - employee benefit plans	-	-	-	-	-	1,293	-	**1,293**
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	(3,006)	**(3,006)**
Cash flow hedges - joint operations	-	-	-	-	-	-	(7,298)	**(7,298)**
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	(346)	2,731	**2,385**
Total other comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**(4,446)**	**947**	**(7,573)**	**(11,072)**
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**72,853**	**(4,446)**	**947**	**(7,573)**	**61,781**
Dividends declared	-	-	-	(35,222)	-	-	-	**(35,222)**
Common shares purchased under Normal Course Issuer Bid	(2,566)	-	-	(4,651)	-	-	-	**(7,217)**
Stock-based compensation	-	-	14,769	-	-	-	-	**14,769**
Shares issued to settle LTIP/Director DSU obligations	10,404	-	(10,404)	-	-	-	-	**-**
Other LTIP Settlements	-	-	(3,135)	-	-	-	-	**(3,135)**
ESU cash receipts	-	-	622	-	-	-	-	**622**
Balance as at December 31, 2019	**$ 394,291**	**$ 12,707**	**$ 48,858**	**$ 403,821**	**$ (698)**	**$ 2,174**	**$ (3,157)**	**$ 857,996**

	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, 2018	**$ 367,612**	**$ 8,664**	**$ 39,604**	**$ 340,470**	**$ (1,660)**	**$ 445**	**$ 840**	**$ 755,975**
Profit for the year	**-**	-	-	59,014	-	-	-	**59,014**
Other comprehensive income (loss):								
Currency translation differences - foreign operations	**-**	-	-	-	5,408	-	-	**5,408**
Actuarial gains - employee benefit plans	**-**	-	-	-	-	1,067	-	**1,067**
Cash flow hedges - equity-accounted investees	**-**	-	-	-	-	-	(6,085)	**(6,085)**
Cash flow hedges - joint operations	**-**	-	-	-	-	-	10,949	**10,949**
Taxes with respect to above items included in other comprehensive income	**-**	-	-	-	-	(285)	(1,288)	**(1,573)**
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**5,408**	**782**	**3,576**	**9,766**
Total comprehensive income for the year	**-**	**-**	**-**	**59,014**	**5,408**	**782**	**3,576**	**68,780**
Dividends declared	-	-	-	(29,979)	-	-	-	**(29,979)**
Common shares issued on exercise of options	1,751	-	(319)	-	-	-	-	**1,432**
Repayment of 5.5% Debentures	-	(8,499)	8,499	-	-	-	-	**-**
Issuance of 5.0% Debentures	-	12,707	-	-	-	-	-	**12,707**
Common shares issued on conversion of 5.5% Debentures	3,379	(165)	-	-	-	-	-	**3,214**
Stock-based compensation	-	-	14,222	-	-	-	-	**14,222**
Shares issued to settle LTIP/Director DSU obligations	13,711	-	(13,711)	-	-	-	-	**-**
Other LTIP Settlements	-	-	(1,289)	-	-	-	-	**(1,289)**
Balance as at December 31, 2018	**$ 386,453**	**$ 12,707**	**$ 47,006**	**$ 369,505**	**$ 3,748**	**$ 1,227**	**$ 4,416**	**$ 825,062**

During the year ended December 31, 2019, the Company declared dividends amounting to $0.58 per share (December 31, 2018 - $0.50 per share).

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(in thousands of Canadian dollars)

	Note	December 31 2019	December 31 2018
CASH PROVIDED BY (USED IN)			
Operating activities			
Profit before income taxes		**$ 86,774**	$ 67,027
Income taxes paid		**(6,739)**	(1,821)
Defined benefit pension		**466**	(226)
Items not affecting cash:			
Depreciation and amortization		**94,127**	103,832
Income from projects accounted for using the equity method		**(12,491)**	(13,150)
Gain on sale of assets		**(3,700)**	(466)
Income from leasehold inducements		**-**	(478)
Unrealized foreign exchange (gain) loss		**(2,773)**	985
Increase in provisions		**11,846**	11,526
Notional interest representing accretion		**5,045**	5,328
Stock-based compensation		**14,769**	14,222
Change in other balances relating to operations	29	**11,138**	181,900
		198,462	368,679
Investing activities			
Decrease in restricted cash balances		**109,911**	105,135
Purchase of property, plant and equipment		**(41,841)**	(47,353)
Proceeds on sale of contract mining business		**22,000**	150,828
Proceeds on sale of property, plant and equipment		**7,673**	7,669
Investment in concession rights		**(161,982)**	(163,872)
Increase in intangible assets		**(1,495)**	(3,347)
Increase in long-term financial assets		**(1,509)**	(10,229)
Distributions from projects accounted for using the equity method		**4,889**	200
Increase in other investments		**(3,751)**	-
		(66,105)	39,031
Financing activities			
Decrease in bank indebtedness		**-**	(17,940)
Issuance of long-term debt		**20,073**	12,813
Repayments of lease liabilities		**(40,450)**	(25,907)
Repayments of long-term debt		**(13,976)**	(31,325)
Repayment of 5.5% Debentures		**-**	(169,022)
Issuance of capital stock		**-**	1,432
Stock based compensation settlements and receipts		**(2,513)**	(1,289)
Dividends paid		**(33,976)**	(29,831)
Issuance of 5.0% Debentures		**-**	175,940
Common shares purchased under NCIB		**(7,217)**	-
		(78,059)	(85,129)
Increase in cash and cash equivalents during the year		**54,298**	322,581
Effect of foreign exchange on cash balances		**(3,010)**	3,513
Cash and cash equivalents - beginning of year		**630,976**	304,882
Cash and cash equivalents - end of year	8	**$ 682,264**	$ 630,976

See Note 29 for additional disclosures relating to the Consolidated Statements of Cash Flows.

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 105, M9W 7K6.

The Company operates in two segments within the infrastructure development industry: Construction and Concessions.

Refer to Note 34 *"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 3, 2020 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 as issued by the International Accounting Standards Board ("IFRS").

Statement of compliance
These consolidated financial statements have been prepared in accordance with and comply with IFRS.

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.

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 is 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. 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. 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. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients for 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, unpriced change orders and claims are recognized in revenue at the most likely amount the Company expects to be entitled, and to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. 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.

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, including the legal proceedings discussed in Note 23, *"Contingencies"*. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties. Management regularly analyzes current information about these matters, and internal and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

The Company also pursues claims against project owners for additional costs exceeding the contract price or for amounts not included in the original contract price. When these types of events occur and unresolved claims are pending, the Company may invest significant working capital in projects to cover costs pending the resolution of the relevant claims. A failure to ultimately recover on claims could have a material effect on liquidity and financial results.

FAIR VALUING FINANCIAL INSTRUMENTS

From time to time, the Company, often through its joint arrangements and equity accounted investees, 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.

Further information with regard to the treatment of financial instruments can be found in Note 30, *"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 22, "*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 14, "*Intangible Assets*", for further details regarding goodwill and other intangible assets.

LEASES

The application of IFRS 16 "*Leases*" requires significant judgments and certain key estimations to be made.

Critical judgments required in the application of IFRS 16 include the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Determining whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement; and
- Determining the stand-alone selling price of lease and non-lease components.

Key sources of estimation uncertainty in the application of IFRS 16 include the following:

- Estimating the lease term;
- Determining the appropriate rate to discount lease payments; and
- Assessing whether a right-of-use asset is impaired.

Unanticipated changes in these judgments or estimates could affect the identification and determination of the value of lease liabilities and right-of-use assets at initial recognition, as well as the subsequent measurement of lease liabilities and right-of-use assets. These items could potentially result in changes to amounts reported in the consolidated statements of income and consolidated balance sheets in a given period.

Refer to Note 13, "*Property, plant and equipment*", and Note 18, "*Long-term debt and non-recourse project debt*" for further details regarding leases.

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 an entity is classified as either a joint operation, joint venture or associate, 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.

SERVICE CONCESSION ARRANGEMENTS

The accounting for concession arrangements requires the application of judgment in determining if the project falls within the scope of IFRIC Interpretation 12, "*Service Concession Arrangements*", ("IFRIC 12"). Additional judgments are needed when determining, among other things, the accounting model to be applied under IFRIC 12, the allocation of the consideration receivable between revenue-generating activities, the classification of costs incurred on such activities, as well as the effective interest rate to be applied to the financial asset. As the accounting for concession arrangements under IFRIC 12 requires the use of estimates over the term of the arrangement, any changes to these long-term estimates could result in a significant variation in the accounting for the concession arrangement.

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 2018, the Company sold substantially all of the assets related to Aecon's contract mining business in the Alberta oil sands (see Note 26, "*Other Income*"). In management's judgment, this operation does not meet the criteria for classification as a discontinued operation. In making such determination, management examined all the lines of business the Company currently operates in, and the geographic markets the Company participates in. With respect to contract mining, the

Company continues to provide numerous construction related services to the oil and gas industry across Canada, including earthworks, foundations, and site installation services in the mining sector; utility construction services across Canada including gas pipeline construction for distribution and transmission; and earthworks on various roadbuilding and tunneling projects on an on-going basis. As such, Aecon continues to operate in mining and related businesses and services the same clients as well as others in the industry, both in Alberta and across Canada.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 REVENUE RECOGNITION

Identification of a contract with a customer
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.

When determining the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or to separate a single contract into multiple performance obligations could affect the amount of revenue and profit recorded in a given period.

The Company accounts for a contract when it has commercial substance, the parties have approved the contract in accordance with customary business practices and are committed to their obligations, the rights of the parties and payment terms are identified, and collectability of consideration is probable.

Identifying performance obligations in a contract
For most of the Company's contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project. Consequently, the entire contract is accounted for as one performance obligation. Less frequently, however, the Company may provide several distinct goods or services as part of a contract, in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The expected cost plus a margin approach is typically used to estimate the standalone selling price of each performance obligation. On occasion, the Company will sell standard products, such as aggregates and other materials, with observable standalone sales. In these cases, the observable standalone sales are used to determine the standalone selling price.

Performance obligations satisfied over time
The Company typically transfers control of goods or services, and satisfies performance obligations, over time. Therefore, the Company recognizes revenue over time as these performance obligations are satisfied. This continuous transfer of control to the customer is often supported by the customer's physical possession or legal title to the work in process, as well as contractual clauses that provide the Company with a present right to payment for work performed to date plus a reasonable profit in the event a customer unilaterally terminates the contract for convenience.

As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Company generally uses the cost-to-cost measure of progress for its contracts because it best reflects the transfer of an asset to the customer which occurs as costs are incurred on the contract. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Costs to fulfill contracts may include labour, materials, subcontractor, equipment costs, and other direct costs, as well as an allocation of indirect costs.

Determining the transaction price
It is common for the Company's contracts to contain incentive fees or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance

metrics, program milestones or cost targets and can be based upon customer discretion. Variable consideration also includes change orders that have not been approved as to price, as well as claims. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients for 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. The Company estimates variable consideration at the most likely amount it expects to be entitled. The Company includes these estimated amounts in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information, historical, current and forecasted, that is reasonably available.

Contracts are often modified to account for changes in contract specifications and requirements. Contract modifications exist when the change either creates new, or changes existing, enforceable rights and obligations. Most of the Company's contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of these contract modifications on the transaction price and the measure of progress for the performance obligation to which it relates, is recognized as a cumulative adjustment to revenue as either an increase or decrease in revenue. However, if a contract modification is for distinct goods and services from the existing contract and the pricing of the contract modification reflects the standalone selling pricing of the additional goods or services, then the contract modification is treated as a separate contract.

Due to the nature of many of the Company's performance obligations, the estimation of total revenue and costs at completion is complex, subject to many variables, and requires significant judgment. These areas of measurement uncertainty are discussed further in Note 4.1, "Major Sources of Estimation Uncertainty". Any changes to the estimates of forecasted revenue and total costs are recognized on a cumulative basis, which recognizes in the current period the cumulative effect of the changes based on a performance obligation's percentage of completion. A significant change in one or more of these estimates could affect the profitability of one or more of the Company's performance obligations. When estimates of total costs to be incurred on a performance obligation exceed the total estimated revenue to be earned, a provision for the entire loss on the performance obligation is recognized in the period the loss is determined.

Revenue recognition – other

Upfront costs are those costs that the Company incurs to pursue a contract with a customer that it would not have incurred if the contract had not been awarded. The Company recognizes upfront costs as an asset if it expects to recover those costs. Costs to pursue a contract that would have been incurred regardless of whether the contract was awarded are recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Mobilization costs are non-recurring set up costs incurred to facilitate performance obligations under customer contracts. Mobilization costs are expensed as incurred unless they are capital in nature, in which case they are capitalized in accordance with the relevant accounting standard, or there is a contractual entitlement to recover such costs from the customer, in which case the costs are capitalized and amortized to the income statement over the contract period.

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.

Trade and other receivables include amounts billed and currently due from customers. The Company maintains an allowance for expected credit losses to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of creditworthiness of the portfolio of customers, historical payment experience, the age of outstanding receivables, collateral to the extent applicable, and forward-looking information regarding collectability.

Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Unbilled revenue typically results from sales under construction contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. Unbilled revenue amounts are adjusted for expected credit losses.

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. Deferred revenue on construction contracts is classified as a current liability.

Unbilled revenue and deferred revenue are accounted for on a contract-by-contract basis at the end of each reporting period.

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.

The Company normally does not have any construction contracts where the period up to the transfer of the promised goods or services to the customer represents a financing component. As such, the transaction price is not adjusted for the time value of money. For long-term receivables under Service Concession Arrangements, see section 5.12, "Service Concession Arrangements".

If the Company receives an advance payment, a future obligation is recognized and the recognition and measurement principles of IFRS 15 are applied to determine an appropriate basis for recognizing revenue.

Generally, construction and services contracts include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and are therefore estimated and included in the total cost of the contracts. Where required, amounts are recognized according to IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets".*

Other revenue types
Revenue related to the sale of aggregates and other materials is recognized at a point in time, and the performance obligation is typically satisfied on the delivery of the product to the customer.

Revenue related to operations and maintenance ("O&M") is recognized over time, as the performance obligations are satisfied by the Company.

Remaining performance obligations
Backlog (i.e. remaining performance obligations) is 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 the Company, 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 in respect of such work is reasonably assured. 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, the Company limits backlog for O&M activities to the earlier of the contract term and the next five years.

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 consists of cash held by Bermuda Skyport Corporation Limited ("Skyport"). Proceeds from non-recourse project debt and equity in Skyport, as well as net cash generated from Skyport's operations, are available to fund airport construction activities and to fund reserves required by the non-recourse project debt agreement. Skyport is not permitted to declare dividends during construction of the new airport terminal.

5.4 FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

The Company classifies its financial assets into one of three categories: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Recognition and initial measurement

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes party to the contractual provisions of a financial instrument. All financial instruments are measured at fair value on initial recognition. Financial instruments related to all contract assets and liabilities are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract. All other financial instruments are considered non-current if they are expected to be realized more than 12 months after the reporting period.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

(a) Amortized cost; and

(b) Fair value.

When assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (i.e. FVTPL), or recognized in other comprehensive income (i.e. FVTOCI).

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

(a) the financial asset is held within a business whose objective is to hold financial assets to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL. These financial liabilities are subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise to the extent they are not part of a designated hedging relationship.

The following table outlines the classification of financial instruments under IFRS 9:

	Classification
Financial assets	
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Unbilled revenue	Amortized cost
Long-term financial assets- derivative assets	FVTPL, unless designated in a hedging relationship in which case classified as FVTOCI
Long-term financial assets- other receivables	Amortized cost
Financial liabilities	
Bank indebtedness	Amortized cost
Trade and other payables	Amortized cost
Current portion of long-term debt	Amortized cost
Convertible debentures	Amortized cost
Non-recourse project debt	Amortized cost
Long-term debt	Amortized cost
Other liabilities- derivative liabilities	FVTOCI

The 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 a finance cost.

5.5 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial 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 from the balance sheet when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

5.6 IMPAIRMENT OF FINANCIAL ASSETS

The Company uses an expected credit loss ("ECL") model. This impairment model applies to financial assets measured at amortized cost, and contract assets, but not to investments in equity instruments. The loss allowances are measured on either of the following bases:

- 12-month ECLs – these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs – these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company is using the simplified approach to recognize lifetime expected credit losses for its trade receivables and contract assets that are within the scope of IFRS 15 and that do not have a significant financing component. For long-term receivables under service concession arrangements that have a significant financing component, the Company is recognizing loss allowances using 12-month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

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, as discussed further in Note 30, "*Financial Instruments*".

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset.

5.7 DERIVATIVE FINANCIAL INSTRUMENTS – HEDGE ACCOUNTING

The Company, often through its joint arrangements and equity accounted investees, enters into derivative financial instruments, namely interest rate swaps to hedge the variability of interest rates related to the long-term debt of its concession projects and foreign currency forward contracts to hedge foreign currency exposures on select construction projects. For designated hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these hedge transactions, and regularly assesses the effectiveness of these hedges.

Derivative financial instruments designated as cash flow hedges are measured at fair value established by using valuation techniques based on observable market data and taking into account the credit quality of the instruments. The effective portion of the change in fair value of the derivative financial instrument is recorded in other comprehensive income, while the ineffective portion, if any, of such change is recognized in net income. When ineffective, gains or losses from cash flow hedges included in other comprehensive income are reclassified to net income as an offset to the losses or gains recognized on the underlying hedged items.

5.8 INVENTORIES

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

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

5.9 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. Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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	12,000 - 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.

5.10 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.

5.11 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

5.12 SERVICE CONCESSION ARRANGEMENTS

The Company accounts for Service Concession Arrangements in accordance with “IFRIC 12”.

IFRIC 12 provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government) (a) controls or regulates what services the operator (i.e. “the concessionaire”) must provide with the infrastructure, to whom it must provide those services, and at what price; and (b) controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under such concession arrangements, the concessionaire accounts for the infrastructure asset by applying one of the following accounting models depending on the allocation of the demand risk through the usage of the infrastructure between the grantor and the concessionaire:

Accounting Model

(a) Financial Asset Model

Applicable when the concessionaire does not bear demand risk through the usage of the infrastructure (i.e., it has an unconditional right to receive cash irrespective of the usage of the infrastructure, for example through availability payments).

When the Company delivers more than one category of activity in a service concession arrangement, the consideration received or receivable is allocated by reference to the relative fair values of the activity delivered, when the amounts are separately identifiable.

Revenue recognized by the Company under the financial asset model is recognized in “Long Term Receivables”, a financial asset that is recovered through payments received from the grantor.

(b) Intangible Asset Model

Applicable when the concessionaire bears demand risk (i.e., it has a right to charge fees for usage of the infrastructure).

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Borrowing costs, if any, are capitalized until the infrastructure is ready for its intended use as part of the carrying amount of the intangible asset.

The intangible asset is then amortized over its expected useful life, which is the concession period in a service concession arrangement. The amortization period begins when the infrastructure is available for use.

Revenues from service concession arrangements accounted for under IFRIC 12 are recognized as follows:

(a) Construction or upgrade activities when a service concession arrangement involves the construction or upgrade of the public service infrastructure:

Revenues relating to construction or upgrade services under a service concession arrangement are recognized based on the stage of completion of the work performed, consistent with the Company’s accounting policy on recognizing revenue applicable to any construction contract (see Section 5.1, “Revenue Recognition”).

(b) Operations and maintenance activities may include maintenance of the infrastructure and other activities provided directly to the grantor or the users:

Operations and maintenance revenues are recognized in the period in which the activities are performed by the Company, consistent with the Company's accounting policy on recognizing revenue applicable to any operations and maintenance contract (see Section 5.1, "Revenue Recognition").

(c) Financing (applicable when the financial asset model is applied)

Finance income generated on financial assets is recognized using the effective interest method.

5.13 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.

5.14 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.

5.15 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 5.14, "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 IFRS 9, "*Financial Instruments*," (at fair value), provided the investment does not then qualify as a subsidiary or a joint arrangement.

5.16 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.

5.17 LEASES

The Company has applied IFRS 16 *"Leases"* with an initial application date of January 1, 2019 using the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17 *"Leases"* and IFRIC 4 *"Determining Whether an Arrangement Contains a Lease"* as permitted under the specific transitional provisions in the standard.

Policy applicable from January 1, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
    - The Company has the right to operate the asset; or
    - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the relevant index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the relevant index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in "property, plant and equipment" and lease liabilities in "long-term debt" in the consolidated balance sheets.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets, such as some IT-equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before January 1, 2019

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period under IAS 17, the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, each asset was accounted for in accordance with the accounting policy applicable to how that asset was classified.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases, and assets were not recognized in the Company's consolidated balance sheet. Payments made under operating leases (net of any incentives received from the lessor) were recognized in profit or loss on a straight-line basis over the term of the lease.

Nature of leased assets
The Company leases various offices, warehouses, land, equipment and vehicles. Contracts are typically made for fixed periods of one to ten years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes. Some leases provide for additional payments based on changes in inflation.

Extension and termination options
Some office leases include an option to renew the lease for an additional period after the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. Extension options are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses its portfolio of leases to determine whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Company considers all facts and circumstances when making this decision. The Company examines whether there is an economic incentive or penalty that would affect the decision to exercise the option, for example, whether the lease option is below market value or whether the Company has made significant investments in leasehold improvements. Where it is not reasonably certain that the lease will be extended or terminated, the Company will not recognize these options.

Variable lease payments
Some leases also require the Company to make payments that relate to the property taxes and additional services levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

5.18 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 an 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 plans' 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.

5.19 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.

5.20 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 year and not distributed at the reporting date.

5.21 STOCK-BASED COMPENSATION

The Company has stock-based compensation plans, as described in Note 24, "*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.

5.22 EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is determined by dividing profit attributable to shareholders of the Company, excluding, if applicable, preferred dividends after-tax, amortization of discounts and premiums on issuance, premiums on repurchases,

inducements to convert relating to convertible debentures and any costs of servicing equity other than common shares, by the weighted average number of common shares outstanding during the year.

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

Dilutive potential common shares result from issuances of stock options and convertible debentures.

5.23 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 FVTOCI 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 FVTOCI, 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.

5.24 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.

5.25 OPERATING SEGMENTS

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

6. CHANGES IN ACCOUNTING POLICIES

The following IFRS standards became effective for the Company on January 1, 2019.

IFRS 16, Leases
The Company has applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below and in Note 5, "*Summary of Significant Accounting Policies*".

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2019, and the comparatives for the 2018 financial reporting period are not restated as permitted under the transition provisions in the standard. The details of the changes in accounting policies are disclosed below.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 superseded the current lease recognition guidance including IAS 17 "*Leases*" and the related interpretations when it became effective.

The main changes to lease accounting as a result of IFRS 16 include the following:

- The definition of a lease has changed under the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, as explained further in Note 5, "*Summary of Significant Accounting Policies*". Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4;
- Under IFRS 16, the lessee recognizes a right-of-use asset and a lease liability upon lease commencement for leases with a lease term of greater than one year. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Subsequent measurement is determined based on the nature of the underlying asset. The lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the implied lease rate. If the implied lease rate cannot be readily determined, the lessee uses its incremental borrowing rate. Subsequent re-measurement is required under specific circumstances. Previously, the Company classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company;
- IFRS 16 provides detailed guidance on determining the lease term when the Company has an option to extend the lease; and
- The new standard includes extensive disclosure requirements that differ from previous requirements.

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

On transition to IFRS 16, for leases previously classified as finance leases under IAS 17, the Company elected to apply the practical expedient whereby the Company is not required to reassess whether a contract is, or contains, a lease at the date of initial application. As such, the Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed. For leases that were previously classified as finance leases under IAS 17, the Company recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The Company also adopted the recognition exemptions permitted for short-term leases (i.e. less than 12 months) and leases for which the underlying asset has a low value, as well as the following practical expedients permitted on initial adoption, under the standard:

- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Using the Company's previous assessment of impairment under IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*" for onerous contracts instead of re-assessing the right-of-use asset for impairment on January 1, 2019;
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

The following table reconciles the impact of IFRS 16 on the previously reported Consolidated Balance Sheet as at December 31, 2018:

	As reported at December 31, 2018	Impacts from the adoption of IFRS 16	As adjusted at January 1, 2019
Property, plant and equipment	$ 266,199	44,836	**$ 311,035**
Trade and other payables	(705,760)	1,817	**(703,943)**
Current portion of long-term debt	(32,505)	(8,163)	**(40,668)**
Long-term debt	(69,707)	(36,673)	**(106,380)**
Deferred income tax liabilities	(117,626)	(481)	**(118,107)**
Retained earnings	(369,505)	(1,336)	**(370,841)**

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

Opening reconciliation of lease liability

A reconciliation of the lease liability as at December 31, 2018 compared to January 1, 2019 is as follows:

		As at January 1, 2019
Operating lease commitments as at December 31, 2018 as disclosed in the Company's consolidated financial statements	$	56,803
Operating lease commitments discounted using the weighted average incremental lease borrowing rate of 3.89% as at January 1, 2019		48,558
Less: Recognition exemption for short-term leases and leases of low value assets		(3,722)
Add: Finance lease liabilities recognized as at December 31, 2018		72,772
Lease liability recognized as at January 1, 2019		**117,608**
Add: Equipment and other loans as at December 31, 2018		29,440
Total long-term debt as at January 1, 2019	**$**	**147,048**
Reported as:		
Current portion of long-term debt	$	40,668
Long-term debt		106,380
	$	**147,048**

Other New Standards, Amendments and Interpretations Adopted In 2019

The following amendments to standards and interpretations also became effective for annual periods beginning on January 1, 2019. The application of these amendments and interpretations had no significant impact on the Company’s consolidated financial position or results of operations.

IFRS 3, Business Combinations
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

IFRS 11, Joint Arrangements
The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12, Income Taxes
The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

IAS 23, Borrowing Costs
The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IAS 19, Employee Benefits
The amendments to IAS 19, Plan Amendment, Curtailment or Settlement, specify how an entity determines pension expenses when changes to a defined benefit pension plan occur. The amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

Previously, IAS 19 did not specify how to determine these expenses for the period after the change to the plan.

IFRIC 23, Uncertainty over Income Tax Treatments
IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

7. FUTURE ACCOUNTING CHANGES

IFRS 3, Business Combinations
The amendments to IFRS 3 "*Business Combinations"* seek to improve the definition of a business. The amendments assist companies in determining whether activities and assets acquired are a business or merely a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. Companies are required to apply the amended definition of a business to acquisitions that occur on or after January 1, 2020. The Company does not anticipate any material impact to the Company's financial position or results of operations as a result of these amendments.

IAS 1, Presentation of Financial Statements and **IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors**
The amendments clarify the definition of material and seek to align the definition used in the Conceptual Framework with that in the standards themselves as well as ensuring the definition of material is consistent across all IFRS. The changes are effective from January 1, 2020.

- Old definition: Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (*IAS 1, "Presentation of Financial Statements"*).
- New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company does not anticipate any material impact to the Company's financial position or results of operations as a result of these amendments.

IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures
The International Accounting Standards Board has published "Interest Rate Benchmark Reform" amendments to address the implications of specific hedge accounting requirements in IFRS 9, IAS 39 and IFRS 7. The amendments are effective for annual periods beginning on or after January 1, 2020. The amendments modify specific hedge accounting requirements so that the interest rate benchmark used with the hedged cash flows and the cash flows of the hedging instrument is not altered as a result of the uncertainties with the interest rate benchmark reform. The Company does not anticipate any material impact to the Company's financial position or results of operations as a result of these amendments.

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

8. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	December 31 2019	December 31 2018
Cash balances excluding joint operations	$ 188,976	$ 158,452
Cash balances of joint operations	493,288	472,524
	$ 682,264	$ 630,976

Restricted cash	$ 76,595	$ 193,369
	$ 76,595	$ 193,369

Cash and cash equivalents on deposit in the bank accounts of joint operations cannot be accessed directly by the Company.

Restricted cash is cash held by Bermuda Skyport Corporation Limited (“Skyport”). This cash cannot be used by the Company other than to finance the Bermuda International Airport Redevelopment Project.

9. TRADE AND OTHER RECEIVABLES

	December 31 2019	December 31 2018
Trade receivables	$ 399,618	$ 443,571
Allowance for expected credit losses	(758)	(762)
	398,860	442,809
Holdbacks receivable	233,260	185,526
Other	49,985	69,276
	283,245	254,802
Total	$ 682,105	$ 697,611
Amounts receivable beyond one year	$ 115,809	$ 78,909

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

A reconciliation of the beginning and ending carrying amounts of the Company's allowance for expected credit losses is as follows:

	December 31 2019	December 31 2018
Balance - beginning of year	**$ (762)**	$ (764)
Additional amounts provided for during year	**(634)**	(724)
Trade receivables written off during year	**183**	726
Amounts recovered	**455**	-
Balance - end of year	**$ (758)**	**$** (762)

10. UNBILLED REVENUE AND DEFERRED REVENUE

A reconciliation of the beginning and ending carrying amounts of unbilled revenue and deferred revenue is as follows:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Unbilled revenue	Deferred revenue	Unbilled revenue	Deferred revenue
Balance outstanding - beginning of year	**$ 573,678**	**$ (508,306)**	$ 554,039	$ (206,681)
Revenue earned in the year	**2,709,905**	**750,513**	2,173,177	1,093,114
Billings in the year	**(2,684,725)**	**(725,335)**	(2,153,538)	(1,394,739)
Balance outstanding - end of year	**$ 598,858**	**$ (483,128)**	$ 573,678	$ (508,306)

Revenue was not impacted by performance obligations satisfied in previous periods during the year ended December 31, 2019 (2018 - $3,600 reduction). The amount in 2018 primarily related to the impact of an adjustment to forecasted revenue and cost.

Revenue recognized in 2019 from deferred revenue balances existing at the beginning of the year totalled $314,465 (2018 - $176,216).

11. INVENTORIES

	December 31 2019	December 31 2018
Raw materials and supplies	**$ 7,134**	$ 5,287
Finished goods	**17,765**	15,464
	$ 24,899	$ 20,751

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

12. 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, 2019			December 31, 2018		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	Total
Cash and cash equivalents	$ 4,527	$ 2,054	**$ 6,581**	$ 9,181	$ 2,150	$ 11,331
Other current assets	27,389	5,860	**33,249**	69,743	1,296	71,039
Total current assets	31,916	7,914	**39,830**	78,924	3,446	82,370
Non-current assets	691,163	-	**691,163**	522,900	-	522,900
Total assets	723,079	7,914	**730,993**	601,824	3,446	605,270
Trade and other payables and provisions	28,224	765	**28,989**	59,493	936	60,429
Other current financial liabilities	16,976	-	**16,976**	-	-	-
Total current liabilities	45,200	765	**45,965**	59,493	936	60,429
Non-current financial liabilities	635,967	-	**635,967**	504,199	-	504,199
Other non-current liabilities	3,548	-	**3,548**	1,167	-	1,167
Total non-current liabilities	639,515	-	**639,515**	505,366	-	505,366
Total liabilities	684,715	765	**685,480**	564,859	936	565,795
Net assets	$ 38,364	$ 7,149	**$ 45,513**	$ 36,965	$ 2,510	$ 39,475

	For the year ended					
	December 31, 2019			December 31, 2018		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	Total
Revenue	$ 492,119	$ 1,564	**$ 493,683**	$ 544,739	$ 2,344	$ 547,083
Depreciation and amortization	(621)	-	**(621)**	(420)	-	(420)
Other costs and expenses	(455,797)	(1,449)	**(457,246)**	(517,578)	(2,158)	(519,736)
Operating profit	35,701	115	**35,816**	26,741	186	26,927
Finance costs	(21,505)	-	**(21,505)**	(13,202)	-	(13,202)
Income tax expense	(1,820)	-	**(1,820)**	(575)	-	(575)
Profit for the year	12,376	115	**12,491**	12,964	186	13,150
Other comprehensive (loss)	(2,109)	-	**(2,109)**	(6,085)	-	(6,085)
Total comprehensive income	$ 10,267	$ 115	**$ 10,382**	$ 6,879	$ 186	$ 7,065

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

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

	For the year ended	
	December 31 2019	December 31 2018
Projects accounted for using the equity method - as at January 1	**$ 39,475**	$ 32,610
Share of profit for the year	**12,491**	13,150
Share of other comprehensive (loss) for the year	**(2,109)**	(6,085)
Distributions from projects accounted for using the equity method	**(4,889)**	(200)
Other investments	**545**	-
Projects accounted for using the equity method - as at December 31	**$ 45,513**	$ 39,475

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

Name	Ownership interest	Joint Venture or Associate	Years included
Yellowline Asphalt Products Ltd.	50%	Joint Venture	2019, 2018
Lower Mattagami Project	20%	Associate	2019, 2018
Waterloo LRT Concessionaire	10%	Joint Venture	2019, 2018
Eglinton Crosstown LRT Concessionaire	25%	Joint Venture	2019, 2018
New Post Creek Project	20%	Associate	2019, 2018
Finch West LRT Concessionaire	33%	Joint Venture	2019, 2018
Gordie Howe International Bridge Concessionaire	20%	Joint Venture	2019, 2018
Sky-Tec Fibre JV	50%	Joint Venture	2019
Highway 401 Expansion Project SPV	50%	Joint Venture	2019

Projects accounted for using the equity method include various concession joint ventures as listed above. However, the construction activities related to these concessions are classified as joint operations which 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.

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

13. 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 December 31, 2018		$ 28,480	$ 97,430	$ 56,236	$ 281,864	$ 33,931	$ 63,336	$ -	**$ 561,277**
Change in accounting policy (see Note 6)		1,566	34,050	-	9,220	-	-	-	**44,836**
Adjusted balance as at January 1, 2019		30,046	131,480	56,236	291,084	33,931	63,336	-	**606,113**
Additions - purchased assets		6,314	12,012	324	20,049	3,159	293	-	**42,151**
Additions - right-of-use assets		1,006	8,667	-	44,395	-	10,875	-	**64,943**
Disposals		-	-	-	(30,737)	(327)	(9,513)	-	**(40,577)**
Foreign currency translation adjustments		-	(127)	-	(317)	(39)	(40)	-	**(523)**
Balance as at December 31, 2019		$ 37,366	$ 152,032	$ 56,560	$ 324,474	$ 36,724	$ 64,951	$ -	**$ 672,107**
Accumulated depreciation and impairment									
Balance as at January 1, 2019		-	45,379	19,283	158,890	29,381	42,145	-	**295,078**
Depreciation - purchased assets		-	4,902	680	14,605	2,670	695	-	**23,552**
Depreciation - right-of-use assets	(a)	509	5,727	-	15,049	-	8,250	-	**29,535**
Disposals		-	-	-	(17,908)	(327)	(9,167)	-	**(27,402)**
Foreign currency translation adjustments		-	(11)	-	(20)	(15)	(14)	-	**(60)**
Balance as at December 31, 2019		$ 509	$ 55,997	$ 19,963	$ 170,616	$ 31,709	$ 41,909	$ -	**$ 320,703**
Net book value as at December 31, 2019		**$ 36,857**	**$ 96,035**	**$ 36,597**	**$ 153,858**	**$ 5,015**	**$ 23,042**	**$ -**	**$ 351,404**
Net book value as at January 1, 2019		**$ 30,046**	**$ 86,101**	**$ 36,953**	**$ 132,194**	**$ 4,550**	**$ 21,191**	**$ -**	**$ 311,035**
Net book value of right-of-use assets included in property, plant & equipment as at January 1, 2019		**$ 1,566**	**$ 34,050**	**$ 75**	**$ 60,166**	**$ -**	**$ 19,068**	**$ -**	**$ 114,925**
Net book value of right-of-use assets included in property, plant & equipment as at December 31, 2019		**$ 2,063**	**$ 36,883**	**$ 75**	**$ 79,025**	**$ -**	**$ 20,877**	**$ -**	**$ 138,923**

(a) Depreciation of land relates to leases of land following the adoption of IFRS 16.

		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, 2018		$ 33,480	$ 97,732	$ 55,952	$ 293,802	$ 33,003	$ 69,415	$ 269,585	**$ 852,969**
Additions		600	10,839	284	31,741	1,719	9,721	16,276	**71,180**
Disposals	(b)	(5,600)	(11,158)	-	(43,993)	(852)	(15,864)	(285,861)	**(363,328)**
Foreign currency translation adjustments		-	17	-	314	61	64	-	**456**
Balance as at December 31, 2018		$ 28,480	$ 97,430	$ 56,236	$ 281,864	$ 33,931	$ 63,336	$ -	**$ 561,277**
Accumulated depreciation and impairment									
Balance as at January 1, 2018		-	47,137	18,184	155,463	27,032	48,058	99,944	**395,818**
Depreciation		-	4,976	1,099	25,008	3,184	8,279	23,894	**66,440**
Disposals	(b)	-	(6,736)	-	(21,584)	(850)	(14,206)	(123,838)	**(167,214)**
Foreign currency translation adjustments		-	2	-	3	15	14	-	**34**
Balance as at December 31, 2018		$ -	$ 45,379	$ 19,283	$ 158,890	$ 29,381	$ 42,145	$ -	**$ 295,078**
Net book value as at December 31, 2018		**$ 28,480**	**$ 52,051**	**$ 36,953**	**$ 122,974**	**$ 4,550**	**$ 21,191**	**$ -**	**$ 266,199**
Net book value as at January 1, 2018		**$ 33,480**	**$ 50,595**	**$ 37,768**	**$ 138,339**	**$ 5,971**	**$ 21,357**	**$ 169,641**	**$ 457,151**
Net book value of assets under finance lease included in property, plant & equipment as at December 31, 2018		**$ -**	**$ -**	**$ 75**	**$ 50,946**	**$ -**	**$ 19,068**	**$ -**	**$ 70,089**

(b) In 2018, the Company sold the assets of its contract mining business (see Note 26).

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

14. INTANGIBLE ASSETS

		Concession rights		Goodwill		Licences, software and other rights		Total
Cost								
Balance as at January 1, 2019	$	399,371	$	47,845	$	91,871	$	**539,087**
Additions								
Separately acquired or constructed		142,504		5,048		2,273		**149,825**
Interest capitalized		20,030		-		-		**20,030**
Disposals		-		-		(686)		**(686)**
Foreign currency translation adjustments		(22,579)		-		(20)		**(22,599)**
Balance as at December 31, 2019	**$**	**539,326**	**$**	**52,893**	**$**	**93,438**	**$**	**685,657**
Accumulated amortization and impairment								
Balance as at January 1, 2019		54,738		-		38,706		**93,444**
Amortization		30,867		-		10,173		**41,040**
Disposals		-		-		-		**-**
Foreign currency translation adjustments		(3,272)		-		(11)		**(3,283)**
Balance as at December 31, 2019	**$**	**82,333**	**$**	**-**	**$**	**48,868**	**$**	**131,201**
Net book value as at December 31, 2019	**$**	**456,993**	**$**	**52,893**	**$**	**44,570**	**$**	**554,456**
Net book value as at January 1, 2019	**$**	**344,633**	**$**	**47,845**	**$**	**53,165**	**$**	**445,643**

		Concession Rights		Goodwill		Licences, software and other rights		Total
Cost								
Balance as at January 1, 2018	$	208,642	$	49,373	$	89,112	$	347,127
Additions								
Separately acquired or constructed		147,302		-		3,474		150,776
Interest capitalized		16,570		-		-		16,570
Disposals		-		(1,528)		(749)		(2,277)
Foreign currency translation adjustments		26,857		-		34		26,891
Balance as at December 31, 2018	**$**	**399,371**	**$**	**47,845**	**$**	**91,871**	**$**	**539,087**
Accumulated amortization and impairment								
Balance as at January 1, 2018		23,404		-		29,845		53,249
Amortization		27,921		-		9,471		37,392
Disposals		-		-		(622)		(622)
Foreign currency translation adjustments		3,413		-		12		3,425
Balance as at December 31, 2018	**$**	**54,738**	**$**	**-**	**$**	**38,706**	**$**	**93,444**
Net book value as at December 31, 2018	**$**	**344,633**	**$**	**47,845**	**$**	**53,165**	**$**	**445,643**
Net book value as at January 1, 2018	**$**	**185,238**	**$**	**49,373**	**$**	**59,267**	**$**	**293,878**

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

Concession rights – Bermuda International Airport Redevelopment Project

The Company holds a 100% interest in Bermuda Skyport Corporation Limited ("Skyport"), a Bermudian company undertaking the L.F. Wade International Redevelopment Project in Bermuda ("Bermuda International Airport Redevelopment Project").

Skyport's main operations consist of:

(a) managing and operating the existing L.F Wade International Airport (the "Existing Bermuda Airport"); and

(b) managing the development, financing, construction, operation and maintenance of the new airport terminal and associated infrastructure ("New Airport Terminal") under a 30-year concession arrangement.

The right to operate the Existing Bermuda Airport was initially recognized at fair value and assigned an estimated value of $92,994 (US$69,871) at the date of financial close in 2017. As at December 31, 2019 this concession right had a remaining carrying amount of $8,414 (2018 - $40,580). Skyport amortizes this concession right over the remaining term of the right to operate the Existing Bermuda Airport with amortization based on usage (estimated traffic volumes). The New Airport Terminal is expected to open in the third or early fourth quarter of 2020.

At December 31, 2019, the concession right for the New Airport Terminal, representing the costs to construct the New Airport Terminal, had a carrying amount of $448,579 (2018 - $304,053). Amortization of this concession right will commence after construction of the New Airport Terminal is completed.

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

Goodwill

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

	December 31 2019	December 31 2018
CGUs:		
Conventional Industrial	**$ 30,633**	$ 30,633
Civil West	**11,072**	11,072
Utilities	**7,165**	2,117
Civil East	**4,023**	4,023
	$ 52,893	$ 47,845

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, 2019 using a growth rate of 2% (2018 – 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, 2019 was 8.25% (2018 – 9.25%) 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 revenue prospects.

In 2018, the Company sold the assets of its contract mining business (see Note 26). As a result of this transaction, goodwill was reduced by $1,528 in 2018.

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

15. BANK INDEBTEDNESS

As at December 31, 2019, the Company had a committed revolving credit facility of $600,000 (2018 - $500,000), and a $100,000 uncommitted demand letter of credit facility (2018 - $nil). Bank indebtedness representing borrowings on the Company's revolving credit facility as at December 31, 2019 was $nil (2018 - $nil). Letters of credit amounting to $74,772 and $16,325, respectively, were issued against the revolving credit facility and the uncommitted demand letter of credit facility as at December 31, 2019 (2018 - $115,957 and $nil, respectively). Cash drawings under the facility bear interest at rates between prime and prime plus 1.20% per annum. Letters of credit reduce the amount available-for-use under the facility. These facilities mature July 19, 2023.

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 performance security guarantee facility of $700,000 (2018 - $700,000) to support letters of credit provided by Export Development Canada of which $530,295 was utilized as at December 31, 2019 (2018 - $519,561). This performance security guarantee facility matures June 30, 2021.

16. TRADE AND OTHER PAYABLES

		December 31 2019		December 31 2018
Trade payables and accrued liabilities	**$**	**674,101**	$	631,231
Holdbacks payable		**99,633**		74,529
	$	**773,734**	$	705,760
Amounts payable beyond one year	**$**	**7,557**	$	1,608

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

17. PROVISIONS

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
	(a)	(b)	(c)		
Balance as at January 1, 2019	$ 4,443	$ 4,400	$ 6,456	$ 4,910	$ 20,209
Additions made	2,210	524	865	8,888	12,487
Amounts used	(636)	(149)	-	(5,314)	(6,099)
Other changes	48	176	-	-	224
Balance as at December 31, 2019	**$ 6,065**	**$ 4,951**	**$ 7,321**	**$ 8,484**	**$ 26,821**
Reported as:					
Current	**4,668**	**-**	**7,321**	**8,484**	**20,473**
Non-current	**1,397**	**4,951**	**-**	**-**	**6,348**
	$ 6,065	**$ 4,951**	**$ 7,321**	**$ 8,484**	**$ 26,821**

(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 2020 and 2108 at which point the amount of the liability will reverse. A 1.50% inflation factor has been applied to obtain the future value of the decommissioning costs, which has been discounted at a rate of 3.98% 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.

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

18. LONG-TERM DEBT AND NON-RECOURSE PROJECT DEBT

LONG-TERM DEBT

		December 31 2019		December 31 2018
Long-term debt:				
Leases	$	171,357	$	72,772
Equipment and other loans		34,396		29,440
Total long-term debt	$	205,753	$	102,212
Reported as:				
Current liabilities:				
Current portion of long-term debt	$	60,071	$	32,505
Non-current liabilities:				
Long-term debt		145,682		69,707
	$	205,753	$	102,212

The following describes the components of long-term debt:

(a) As at December 31, 2019, leases of $171,357 (December 31, 2018 - $72,772) bore interest at fixed rates averaging 3.29% (December 31, 2018 – 3.15%) per annum, with specific equipment provided as security.

(b) As at December 31, 2019, equipment and other loans of $34,396 (December 31, 2018 - $29,440) bore interest at fixed rates averaging 3.02% (December 31, 2018 – 3.10%) per annum, with specific equipment provided as security.

The weighted average interest rate on total long-term debt outstanding (excluding convertible debentures and non-recourse project debt) as at December 31, 2019 was 3.25% (December 31, 2018 – 3.14%).

Expenses relating to short-term leases and leases of low-value assets recognized in the statement of income for the year ended December 31, 2019 was $79,665.

Variable lease payments of $1,845 related to property taxes levied on lessors and not included in the measurement of lease liabilities were recognized in the statement of income during the year ended December 31, 2019.

Total cash outflow related to leases in 2019 was $40,450 (2018 – $25,907).

Refer to Note 13, "*Property, plant and equipment*" for further details of additions to right-of-use assets and depreciation charged on right-of-use assets during the year ended December 31, 2019.

Refer to Note 27, "*Finance cost*" for further details of interest on lease liabilities recognized during the year ended December 31, 2019.

Refer to Note 30, "*Financial instruments*" for contractual maturities of lease liabilities as at December 31, 2019.

Lease extension and termination options are included in a number of property and equipment leases across the Company. As at December 31, 2019, potential future cash outflow of $27,499 related to these extension and termination options are not included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

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

As at December 31, 2019, potential future cash outflow of $9,983 related to variable lease payments for property taxes and/or insurance payments made by lessors have not been reflected in the measurement of lease liabilities. These variable lease payments are recognized in the statement of income in the period in which those payments occur.

NON-RECOURSE PROJECT DEBT

		December 31 2019	December 31 2018
Non-recourse project debt:			
Bermuda International Airport Redevelopment Project financing	(a)	**$ 365,894**	$ 383,746
Total non-recourse project debt		**$ 365,894**	$ 383,746
Reported as:			
Non-current liabilities:			
Non-recourse project debt		**$ 365,894**	$ 383,746
		$ 365,894	$ 383,746

(a) Included in the Company's consolidated balance sheet as at December 31, 2019 is debt, net of transaction costs, of $365,894 (US$281,717) (December 31, 2018 – $383,746, US$281,298) representing the debt of Skyport. This debt is secured by the assets of Skyport and is without recourse to the Company.

The financing is denominated in US dollars and bears interest at 5.90% annually. Debt repayments commence in 2022 and are scheduled to continue until 2042.

The movements in net debt for 2019 are presented below:

Net debt reconciliation

	Cash	Bank indebtedness	Long-term debt	Convertible debentures	Non-recourse project debt
Balance as at January 1, 2019	$ 630,976	$ -	$ (102,212)	$ (159,775)	**$** 383,746
Cash flows	54,298	-	34,353	-	**-**
Foreign exchange adjustments	(3,010)	-	82	-	(18,405)
Opening impact of adoption of IFRS 16 Leases	-	-	(44,836)	-	**-**
Non-cash lease additions	-	-	(88,149)	-	**-**
Interest accretion and other non-cash movements	-	-	(4,991)	(4,576)	**553**
Balance as at December 31, 2019	**$ 682,264**	**$ -**	**$ (205,753)**	**$ (164,351)**	**$ 365,894**

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

19. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

		December 31 2019		December 31 2018
Debt component:				
Debenture maturing on December 31, 2023 - 5.0% Debentures		**164,351**		159,775
Total convertible debentures	**$**	**164,351**	$	159,775
Reported as:				
Non-current liabilities:				
Convertible debentures		**164,351**		159,775
	$	**164,351**	$	159,775

		December 31 2019		December 31 2018
Equity component:				
Debenture maturing on December 31, 2023 - 5.0% Debentures	**$**	**12,707**	$	12,707

On September 26, 2018, the Company issued $160,000 of unsecured subordinated convertible debentures maturing December 31, 2023 and bearing interest at 5.0% per annum payable on a semi-annual basis (the “5.0% Debentures”). On October 1, 2018, an additional $24,000 of debentures were issued pursuant to the exercise of the over-allotment option granted to the syndicate of underwriters, bringing the total aggregate gross proceeds from the offering to $184,000.

At the holder’s option, the 5.0% Debentures may be converted into common shares of the Company at any time up to the maturity dates at a conversion price of $24.00 for each common share, subject to adjustment in certain circumstances. The 5.0% Debentures will not be redeemable before December 31, 2021. The Company may, at its option, redeem the 5.0% Debentures from December 31, 2021 to December 31, 2022, in whole or in part, at par plus accrued and unpaid interest, provided that the volume weighted average trading 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, 2022 through to the maturity date, the Company, at its option, may redeem the 5.0% Debentures, in whole or in part, at par plus accrued and unpaid interest.

In 2013, the Company issued $172,500 of unsecured subordinated convertible debentures maturing December 31, 2018 and bearing interest at 5.5% per annum payable on a semi-annual basis (the “5.5% Debentures”). In 2018, 5.5% Debentures with a face value of $3,285 were converted at $19.71 per share by the holders into 166,664 common shares and the remaining 5.5% Debentures with a face value of $169,022 plus accrued and unpaid interest of $3,769 were redeemed.

As at December 31, 2019, the face value of the 5.0% Debentures and 5.5% Debentures, which remain outstanding, were $184,000 and $nil, respectively, (2018 – $184,000 and $nil, respectively).

For the 5.0% 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 5.0% Debentures do not contain a cash settlement feature on conversion into common shares of the Company.

The debt component of the 5.0% Debentures was measured at fair value on initial recognition. To determine the initial amount of the respective debt and equity components of the 5.0% Debentures issued during 2018, the carrying amount of the financial liability was first calculated by discounting the stream of future principal and interest payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The debt component was then deducted from the total carrying amount of the compound instrument to derive the equity component. The debt component was assigned a value of $166,711 (less transaction costs of $8,060) and the equity component was assigned a value of $17,289 (less income taxes of $4,582). The debt component is subsequently accounted for at amortized cost using the effective interest rate method.

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

Finance costs associated with the debentures consists of:

	December 31 2019	December 31 2018
Interest expense on face value	**$ 9,200**	$ 10,015
Notional interest representing accretion	**4,575**	4,894
	$ 13,775	$ 14,909

20. CONCESSION RELATED DEFERRED REVENUE

Concession related deferred revenue consists of:

	December 31 2019	December 31 2018
Bermuda International Airport Redevelopment Project	**$ 101,369**	$ 106,330
	$ 101,369	$ 106,330

As part of acquiring, in 2017, the rights to operate the Existing Bermuda Airport, concession related deferred revenue includes the estimated value of the “inducement” received by Skyport to develop, finance and operate the New Airport Terminal as well as development funds related to the Bermuda International Airport Redevelopment Project. These concession deferred revenue amounts will be amortized to earnings over the term of the New Airport Terminal concession period.

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

21. INCOME TAXES

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

	December 31 2019	December 31 2018
Profit before income taxes	$ 86,774	$ 67,027
Statutory income tax rate	26.60%	26.75%
Expected income tax expense	(23,082)	(17,930)
Effect on income taxes of:		
Projects accounted for using the equity method	516	428
Provincial and foreign rate differences	9,578	9,403
Non-taxable portion of capital gains	-	470
Other non-deductible expenses	(1,442)	(1,534)
Adjustments in respect of prior years	549	721
Other tax credits	(40)	(100)
Other	-	529
	9,161	9,917
Income tax expense	$ (13,921)	$ (8,013)

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

Income taxes were comprised of the following:

	December 31 2019	December 31 2018
Current income tax	$ (19,708)	$ (5,053)
Deferred income tax	5,787	(2,939)
Other tax (provisions)/credit	-	(21)
Income tax expense	$ (13,921)	$ (8,013)

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

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

	2019					2018				
	January 1	(Charged)/ credited to the income statement	(Charged)/ credited to other comprehensive income	(Charged)/ credited to equity	December 31	January 1	(Charged)/ credited to the income statement	(Charged)/ credited to other comprehensive income	(Charged)/ credited to equity	December 31
Canadian components:										
Net operating and capital losses carried forward	$ 93,229	$ (3,470)	$ -	$ -	**$ 89,759**	$ 105,832	$ (12,603)	$ -	$ -	**$** 93,229
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	3,410	807	-	-	**4,217**	2,396	1,014	-	-	3,410
Other temporary differences	(142)	4	-	-	**(138)**	(8)	(134)	-	-	(142)
Other long-term differences	977	3,129	-	-	**4,106**	1,982	(1,005)	-	-	977
Actuarial and hedging gains and losses	414	-	1,491	-	**1,905**	1,987	-	(1,573)	-	414
Property, plant and equipment: net book value in excess of tax basis	(30,565)	4,360	-	(523)	**(26,728)**	(51,157)	20,592	-	-	(30,565)
Long-term contracts, including joint ventures [(1)]	(158,054)	154	-	-	**(157,900)**	(146,415)	(11,639)	-	-	(158,054)
Discounting convertible debentures	(4,388)	805	-	-	**(3,583)**	(640)	836	-	(4,584)	(4,388)
Deferred income tax asset (liability), net	$ (95,119)	$ 5,789	$ 1,491	$ (523)	**$ (88,362)**	$ (86,023)	$ (2,939)	$ (1,573)	$ (4,584)	**$ (95,119)**
Reported on the consolidated balance sheets as follows:										
Deferred income tax asset					**$ 26,725**					**$** 22,507
Deferred income tax liability					**(115,087)**					(117,626)
Deferred income tax liability, net					**$ (88,362)**					**$ (95,119)**

(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.

As at December 31, 2019, the Company had $338,000 (2018 - $352,000) of non-capital tax losses carried forward which will expire in varying amounts within 20 years. As at December 31, 2019, a deferred income tax asset of $89,759 (2018 - $93,229) has been recognized on $338,000 (2018 - $352,000) of these losses. The deferred income tax assets are recognized only to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilized.

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 17 "*Provisions*").

22. 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, 2017 and the next required actuarial valuation will be prepared with an effective date no later than December 31, 2020.

The defined benefit pension asset (obligation) is presented as part of Long-term financial assets (Other liabilities) on the consolidated balance sheets as applicable.

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

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

	December 31 2019	December 31 2018
Change in fair value of plan assets:		
Fair value of plan assets - beginning of year	**$ 39,674**	$ 41,388
Return on plan assets greater (less) than discount rate	**4,062**	(1,239)
Net interest income	**1,425**	1,301
Plan administration costs	**(186)**	(112)
Company contributions	**725**	825
Plan participant contributions	**54**	60
Benefits paid	**(3,171)**	(2,549)
Fair value of plan assets - end of year	**$ 42,583**	$ 39,674
Change in benefit obligation:		
Benefit obligation - beginning of year	**$ 39,652**	$ 42,597
Current service cost	**446**	527
Actuarial (gain) due to actuarial experience	**(115)**	(102)
Actuarial (gain) loss due to financial assumption changes	**2,883**	(2,204)
Net interest cost	**1,408**	1,324
Cost of termination benefits	**576**	-
Benefits paid	**(3,171)**	(2,549)
Plan participant contributions	**54**	60
Benefit obligation - end of year	**$ 41,733**	$ 39,653
Funded status:		
Fair value of plan assets	**$ 42,583**	$ 39,674
Defined benefit obligation	**(41,733)**	(39,653)
Pension assets at December 31	**$ 850**	$ 21

	2019	2018
Weighted average assumptions used to calculate benefit obligation:		
Discount rate	3.00%	3.75%
Rate of increase in future compensation	3.00%	3.00%
Asset categories of pension assets:		
Debt securities	64.26%	63.58%
Equity securities	27.76%	28.45%
Cash and short-term notes	7.98%	7.97%

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

	December 31 2019	December 31 2018
Defined benefit pension expense:		
Current service cost, net of employee contributions	$ 446	$ 527
Net interest cost (income)	(18)	23
Plan administration costs	186	112
Cost of termination benefits	576	-
Defined benefit pension expense recognized in profit or loss	1,190	662
Actuarial (gain) recognized in other comprehensive income	(1,293)	(1,067)
Defined benefit pension expense	$ (103)	$ (405)
Other pension expense:		
Defined contribution pension expense	$ 7,200	$ 6,874
Multi-employer pension plan expense	75,732	77,913
Other pension expense	$ 82,932	$ 84,787
Weighted average assumptions used to calculate defined benefit pension expense:		
Discount rate	3.75%	3.25%
Rate of increase in future compensation	3.00%	3.00%

During 2020, the Company expects to make contributions of $1,507 to the defined benefit plans.

	December 31 2019	December 31 2018
Total cash contribution for employee pension plans:		
Defined benefit plans	$ 725	$ 825
Defined contribution plans	7,200	6,874
Multi-employer pension plans	75,732	77,913
	$ 83,657	$ 85,612

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

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, 2019 the Company used a discount rate of 3.0% 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 $2,152 as at December 31, 2019 and an increase in the estimated 2020 pension expense of approximately $81.

The weighted average duration of the defined benefit obligation is 9.9 years.

23. CONTINGENCIES

During the second quarter of 2018, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking $180,000 in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately $14,000 in damages. The Company has recorded $136,000 of unbilled revenue and accounts receivable as at December 31, 2019. Offsetting this amount to some extent, the Company has accrued $45,000 in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately $195,000 already paid to the Company pursuant to such agreements. The Company believes that it will be successful in its claim and considers KSPC's claim to be without merit. See Note 4, "*Critical Accounting Estimates*".

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 17, *"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:

	Project	December 31 2019
Letters of credit:		
In support of the Company's equity obligations	Bermuda International Airport Redevelopment Project	$ 76,356
Financial and performance - issued by Export Development Canada	Various joint arrangement projects	$ 453,939
Financial and performance - issued in the normal conduct of business	Various	$ 91,097

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

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, 2019, 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 $15,820,740 a 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.

24. CAPITAL STOCK

	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Number		Amount	Number		Amount
Number of common shares outstanding - beginning of year	**60,478,564**	**$**	**386,453**	**59,298,857**	**$**	**367,612**
Common shares issued on exercise of share options	-		-	120,000		1,750
Common shares issued on conversion of 5.5% debentures	-		-	166,664		3,379
Shares issued to settle LTIP/Director DSU Obligations	636,261		10,404	893,043		13,712
Common shares purchased under Normal Course Issuer Bid	(399,200)		(2,566)	-		-
Number of common shares outstanding - end of year	**60,715,625**	**$**	**394,291**	**60,478,564**	**$**	**386,453**

The Company is authorized to issue an unlimited number of common shares.

Normal Course Issuer Bid

In the fourth quarter of 2019, the Company announced its intention to make a normal course issuer bid (the "NCIB") commencing on November 5, 2019 and expiring on November 4, 2020. During this period, the Company is permitted to purchase for cancellation up to a maximum of 5,975,486 common shares on the open market, representing approximately 10% of the issued and outstanding common shares at the time of the announcement of the NCIB. From November 5, 2019 to December 31, 2019, the Company acquired 399,200 common shares for $7,217 of which $2,566 was recorded as a reduction in share capital and $4,651 recorded as a reduction of retained earnings. All of the shares acquired were subsequently cancelled.

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.

For the year ended December 31, 2019, the Company recorded LTIP compensation charges of $12,834 (2018 - $13,105).

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, 2019, the Company recorded Director DSU compensation charges of $1,073 (2018 - $1,117).

Other Stock-based Compensation – Employee Share Unit (ESU) Awards

In April 2019, the Company adopted an Employee Share Unit ("ESU") plan, an employee benefit program that enables all permanent, non-unionized, Canadian resident employees to become shareholders of the Company. The program includes ESUs gifted to eligible employees, and additional ESUs that may be purchased by eligible employees during a predetermined window each year at a discounted price.

ESU awards and purchases vest annually over three years. ESUs are equity settled awards with compensation charges related to ESU awards and purchases expensed over the estimated vesting period in marketing, general and administrative expenses.

For the year ended December 31, 2019, the Company recorded an ESU compensation charge of $862 (2018 - $nil).

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

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

	For the year ended December 31, 2019		
	LTIP	Director DSUs	ESUs
	Share Units		
Balance outstanding - beginning of year	2,522,383	278,848	-
Granted	618,068	50,644	172,779
Dividend equivalent rights	88,927	8,121	4,931
Settled	(719,048)	(89,025)	-
Forfeited	(35,846)	-	(10,844)
Balance outstanding - end of year	2,474,484	248,588	166,866
	Weighted Average Grant Date Fair Value Per Unit		
Balance outstanding - beginning of year	$ 13.33	$ 15.20	$ -
Granted	18.34	18.40	17.65
Dividend equivalent rights	14.12	17.40	17.58
Settled	16.58	15.22	-
Forfeited	18.16	-	17.60
Balance outstanding - end of year	$ 13.59	$ 15.91	$ 17.65

Amounts included in contributed surplus in the consolidated balance sheets as at December 31, 2019 in respect of LTIP, Director DSUs, and ESUs were $31,149 (December 31, 2018 - $30,500), $3,956 (December 31, 2018 - $4,238), and $1,484 (December 31, 2018 – $nil), respectively.

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

25. EXPENSES

	For the year ended	
	December 31 2019	December 31 2018
Personnel	**$ 766,134**	$ 894,793
Subcontractors	**1,306,930**	1,115,411
Materials	**1,063,295**	889,649
Equipment costs	**107,906**	156,600
Depreciation of property, plant and equipment and amortization of intangible assets	**94,127**	103,832
Other expenses	**31,983**	31,240
Total expenses	**$ 3,370,375**	$ 3,191,525

Reported as:

	For the year ended	
	December 31 2019	December 31 2018
Direct costs and expenses	**$ 3,092,814**	$ 2,909,171
Marketing, general and administrative expense	**183,434**	178,522
Depreciation and amortization	**94,127**	103,832
Total expenses	**$ 3,370,375**	$ 3,191,525

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

26. OTHER INCOME

	For the year ended	
	December 31 2019	December 31 2018
Foreign exchange gain	**$ 1,336**	$ 1,040
Gain on sale of property, plant and equipment	**3,401**	466
Total other income	**$ 4,737**	$ 1,506

On November 23, 2018, the Company completed the sale of its contract mining business to North American Construction Group ("NACG"), whereby substantially all of the assets related to Aecon's contract mining business were sold to NACG for proceeds of $197,500 (see Note 13).

Aecon's contract mining business provided overburden removal and environmental reclamation services through a fleet of earthmoving equipment, primarily in the oil sands in Fort McMurray, Alberta.

As part of the transaction, cash of $150,800 and $22,000 was received in 2018 and 2019, respectively, $12,900 of debt related to certain equipment sold was assumed by the purchaser, and the remaining balance of the purchase price of $11,800 will be paid eighteen months following closing, secured by a charge over certain assets that are the subject of the transaction. The deferred payment is not subject to conditions.

No gain or loss on sale was included in the 2018 operating results as a result of the sale of the contract mining assets.

27. FINANCE COST

	For the year ended	
	December 31 2019	December 31 2018
Interest and notional interest on long-term debt and debentures	**$ 15,208**	$ 16,724
Interest on leases	**4,013**	1,952
Interest on short-term debt	**3,112**	4,746
Notional interest on provisions	**224**	229
Total finance cost	**$ 22,557**	$ 23,651

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

28. EARNINGS PER SHARE

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

	For the year ended	
	December 31 2019	December 31 2018
Profit attributable to shareholders	**$ 72,853**	$ 59,014
Interest on convertible debentures, net of tax [(1)]	**10,125**	10,921
Diluted net earnings	**$ 82,978**	$ 69,935
Average number of common shares outstanding	**60,711,928**	59,802,209
Effect of dilutive securities:[(1)]		
Convertible debentures [(1)]	**10,415,145**	11,322,018
Long-term incentive plan	**2,723,072**	2,801,231
Weighted average number of diluted common shares outstanding	**73,850,145**	73,925,458
Basic earnings per share	**$ 1.20**	$ 0.99
Diluted earnings per share [(1)]	**$ 1.12**	$ 0.94

[(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.

29. SUPPLEMENTARY CASH FLOW INFORMATION

Change in other balances relating to operations

	For the year ended	
	December 31 2019	December 31 2018
Decrease (increase) in:		
Trade and other receivables	**$ (4,427)**	$ (161,609)
Unbilled revenue	**8,353**	(19,231)
Inventories	**(4,040)**	352
Prepaid expenses	**(29,057)**	(13,896)
Increase (decrease) in:		
Trade and other payables	**70,982**	83,742
Provisions	**(6,099)**	(8,675)
Deferred revenue	**(24,574)**	301,217
	$ 11,138	$ 181,900

Cash flows from interest

	For the year ended	
	December 31 2019	December 31 2018
Operating activities		
Cash interest paid	**$ (40,743)**	$ (38,173)
Cash interest received	**4,733**	5,182

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

30. 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, 2019, the Company had contracts to buy US$974 and EUR€1,812 (December 31, 2018 - $nil) on which there was a cumulative net unrealized exchange loss of $135 recorded in the consolidated statements of income as at that date (December 31, 2018 - $nil). In addition, as at December 31, 2019, outstanding contracts to buy US$151,479 (December 31, 2018 – buy US$173,500) were designated as cash flow hedges on which there was a cumulative unrealized gain recorded in other comprehensive income of $3,651 (December 31, 2018 - $10,949). 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, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets (liabilities) measured at fair value:				
Cash flow hedge	$ (4,296)	$ -	$ (4,296)	$ -
Financial assets (liabilities) disclosed at fair value:				
Long-term financial assets	3,970	-	3,970	-
Current portion of long-term debt	(65,211)	-	(65,211)	-
Long-term debt	(149,376)	-	(149,376)	-
Non-recourse project debt	(365,894)	-	(365,894)	-
Convertible debentures	(192,777)	(192,777)	-	-

During the year ended December 31, 2019, 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. Most trade receivables that are past due are from public-sector clients and infrastructure/industrial companies with strong credit ratings and are subject to lower credit risk. No collateral is held in respect of impaired assets or assets that are past due but not impaired. The Company recognizes loss allowances using 12-month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument.

As at December 31, 2019, the Company had $97,661 in trade receivables that were past due. Of this amount, $70,544 was over 60 days past due, against which the Company has recorded an allowance for doubtful accounts of $758.

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

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

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

Contractual maturities for financial liabilities as at December 31, 2019 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	$ 766,177	$ 7,557	$ -	$ 773,734	$ -	$ 773,734
Leases	$ 56,042	$ 103,319	$ 27,330	$ 186,691	$ (15,334)	$ 171,357
Equipment and other loans	9,800	21,155	6,892	37,847	(3,451)	34,396
	65,842	124,474	34,222	224,538	(18,785)	205,753
Non-recourse project debt	21,839	98,015	603,690	723,544	(357,650)	365,894
Convertible debentures	9,200	211,600	-	220,800	(56,449)	164,351
Long-term financial liabilities	$ 96,881	$ 434,089	$ 637,912	$ 1,168,882	$ (432,884)	$ 735,998

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, 2019, 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.

As at December 31, 2019, the interest rate profile of the Company's long-term debt was as follows:

Fixed rate instruments	$ 205,753
Total long-term debt	$ 205,753
Fixed rate non-recourse project debt	$ 365,894
Fixed rate convertible debentures	$ 164,351

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.

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

The Company's sensitivity to a 10% change in the US dollar against the Canadian dollar as at December 31, 2019 to profit or loss for currency exposures would be $6,288. 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.

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

Additional information on financial instruments:

	Amortized cost	Fair value through profit or loss	Fair value through OCI	Total carrying amount	Total fair value
Cash and cash equivalents	$ 682,264	$ -	$ -	**$ 682,264**	**$ 682,264**
Restricted cash	76,595	-	-	**76,595**	**76,595**
Trade and other receivables	682,105	-	-	**682,105**	**682,105**
Unbilled revenue	598,858	-	-	**598,858**	**598,858**
Long-term financial assets	3,970	-	3,166	**7,136**	**7,136**
	$ 2,043,792	$ -	$ 3,166	**$ 2,046,958**	**$ 2,046,958**
Trade and other payables	773,734	-	-	**773,734**	**773,734**
Current portion of long-term debt	60,071	-	-	**60,071**	**65,211**
Convertible debentures	164,351	-	-	**164,351**	**192,777**
Non-recourse project debt	365,894	-	-	**365,894**	**365,894**
Long-term debt	145,682	-	-	**145,682**	**149,376**
	$ 1,509,732	$ -	$ -	**$ 1,509,732**	**$ 1,546,992**

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

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

The fair value of long-term debt is derived by discounting the remaining principal and interest payments at interest rates reflective of the Company’s current cost of borrowing for similar debt. These interest rates were calculated by using the Canadian interest rate swap yield at 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 19.

31. 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, 2019, the debt to capitalization percentage including convertible debentures as debt was 30% (December 31, 2018 - 24%). 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 17% as at December 31, 2019 (December 31, 2018 - 9%). 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, 2019, the Company complied with all of its financial debt covenants.

32. OPERATING SEGMENTS

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

Commencing in 2019, the Company's Infrastructure and Industrial segments were combined into a Construction segment to align with the Company's new operating management structure. The progress Aecon has made in recent years with respect to the "One Aecon" strategy has increasingly allowed for integrated project management and systems, allowing Aecon to capitalize on those markets providing the greatest opportunity at any point in time. This trend is expected to continue going forward, seeing the Company's services and resources becoming increasingly mobile between end markets. The Company has migrated its overall management and operating structure to reflect this increasingly flexible model. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

The Company currently operates in two segments within the infrastructure development industry: Construction and Concessions.

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

- Civil Infrastructure;
- Urban Transportation Systems;
- Nuclear Power Infrastructure;
- Utility Infrastructure; and
- Conventional Industrial Infrastructure.

Activities within the Concessions segment include the development, financing, build and operation of construction projects by way of public-private partnership contract structures, as well as integrating the services of all project participants, and harnessing the strengths and capabilities of Aecon.

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

						For the year ended December 31, 2019	
		Construction		**Concessions**		**Other and eliminations**	**Total**
Consolidated statements of income							
External customer revenue	$	3,242,224	$	218,194	$	-	**$ 3,460,418**
Inter-segment revenue		144,582		-		(144,582)	**-**
Total revenue		3,386,806		218,194		(144,582)	**3,460,418**
Expenses	$	(3,267,587)	$	(199,597)	$	96,809	**$ (3,370,375)**
Which include:							
Depreciation and amortization		(61,057)		(31,572)		(1,498)	**(94,127)**
Other income (loss):							
Foreign exchange gain (loss)	$	1,707	$	(165)	$	(206)	**$ 1,336**
Gain on sale of property, plant and equipment		3,401		-		-	**3,401**
Income from projects accounted for using the equity method	$	1,715	$	10,776	$	-	**$ 12,491**
Operating profit (loss)	$	126,042	$	29,208	$	(47,979)	**$ 107,271**
Finance income (cost):							
Finance income							**$ 2,060**
Finance cost							**(22,557)**
Profit before income taxes							**$ 86,774**
Income tax expense							**(13,921)**
Profit for the year							**$ 72,853**
Revenue by contract type							
Fixed price	$	1,546,100	$	136,462	$	(135,893)	**$ 1,546,669**
Cost plus/unit price		1,840,706		-		(8,689)	**1,832,017**
Concession operations		-		81,732		-	**81,732**
Total revenue		3,386,806		218,194		(144,582)	**3,460,418**
Revenue by service type							
Construction revenue	$	3,386,806	$	-	$	(8,689)	**$ 3,378,117**
Concession revenue		-		218,194		(135,893)	**82,301**
Total revenue		3,386,806		218,194		(144,582)	**3,460,418**

		Construction		**Concessions**		**Other and eliminations**	**Total**
Consolidated balance sheets							
Segment assets	$	2,682,243	$	687,072	$	(254,677)	**$ 3,114,638**
Which include:							
Projects accounted for using the equity method		23,176		22,337		-	**45,513**
Segment liabilities	$	1,458,002	$	508,449	$	290,191	**$ 2,256,642**
Additions to non-current assets:							
Property, plant and equipment	$	94,083	$	709	$	12,302	**$ 107,094**
Intangible assets	$	6,820	$	162,535	$	500	**$ 169,855**

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

For the year ended December 31, 2018	Construction	Concessions	Other and eliminations	Total
Consolidated statements of income				
External customer revenue	$ 3,042,938	$ 223,353	$ -	**$ 3,266,291**
Inter-segment revenue	137,929	-	(137,929)	**-**
Total revenue	3,180,867	223,353	(137,929)	**3,266,291**
Expenses	$ (3,092,197)	$ (195,023)	$ 95,695	**$ (3,191,525)**
Which include:				
Depreciation and amortization	(74,803)	(28,493)	(536)	**(103,832)**
Other income (loss):				
Foreign exchange gain (loss)	$ 766	$ (370)	$ 644	**$ 1,040**
Gain on sale of property, plant and equipment	466	-	-	**466**
Income from projects accounted for using the equity method	$ 3,074	$ 10,076	$ -	**$ 13,150**
Operating profit (loss)	$ 92,976	$ 38,036	$ (41,590)	**$ 89,422**
Finance income (cost):				
Finance income				**$ 1,256**
Finance cost				**(23,651)**
Profit before income taxes				**$ 67,027**
Income tax expense				**(8,013)**
Profit for the year				**$ 59,014**
Revenue by contract type				
Fixed price	$ 1,361,640	$ 141,553	$ (134,490)	**$ 1,368,703**
Cost plus/unit price	1,819,227	-	(3,439)	**1,815,788**
Concession operations	-	81,800	-	**81,800**
Total revenue	3,180,867	223,353	(137,929)	**3,266,291**
Revenue by service type				
Construction revenue	$ 3,180,867	$ -	$ (3,387)	**$ 3,177,480**
Concession revenue	-	223,353	(134,542)	**88,811**
Total revenue	3,180,867	223,353	(137,929)	**3,266,291**

	Construction	Concessions	Other and eliminations	Total
Consolidated balance sheets				
Segment assets	$ 2,461,677	$ 678,915	$ (207,900)	**$ 2,932,692**
Which include:				
Projects accounted for using the equity method	23,501	15,974		**39,475**
Segment liabilities	$ 1,308,570	$ 537,949	$ 261,111	**$ 2,107,630**
Additions to non-current assets:				
Property, plant and equipment	$ 66,400	$ 303	$ 4,477	**$ 71,180**
Intangible assets	$ 360	$ 163,876	$ 3,110	**$ 167,346**

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

Geographic segment information:

	December 31 2019	December 31 2018
Revenue from external customers:		
Canada	**$ 3,193,944**	$ 3,045,727
USA	**45,976**	9,337
International	**220,498**	211,227
	$ 3,460,418	$ 3,266,291
Property, plant, equipment and intangible assets		
Canada	**$ 439,898**	$ 359,396
USA	**7,335**	6,332
International	**458,627**	346,114
	$ 905,860	$ 711,842

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 15% of consolidated revenue for the year ended December 31, 2019. The customer and its affiliated entities are located in Canada, with revenue recorded primarily in the construction segment.

33. REMAINING PERFORMANCE OBLIGATIONS

Backlog (i.e remaining performance obligations) 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 the company, 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 in respect of such work is reasonably assured. 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, the Company limits backlog for O&M activities to the earlier of the contract term and the next five years.

Reported backlog as at December 31, 2019 of $6,789,764 compares to backlog of $6,821,291 as at December 31, 2018. New contract awards of $3,428,891 were booked in 2019 compared to $5,840,238 in 2018.

Backlog

	As at December 31	
	2019	2018
Construction	**$ 6,735,041**	$ 6,784,612
Concessions	**54,723**	36,679
Consolidated	**$ 6,789,764**	$ 6,821,291

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

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

Estimated backlog duration

	As at December 31					
	2019			2018		
Next 12 months	**$**	**2,830,310**	**42%**	$	2,011,500	29%
Next 13-24 months		**1,549,954**	**23%**		1,771,490	26%
Beyond		**2,409,500**	**35%**		3,038,301	45%
	$	**6,789,764**	**100%**	$	6,821,291	100%

The Company 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, the Company's anticipated future work to be performed at any given time is greater than what is reported as backlog.

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 the Company's consolidated statement of income, and as a result the revenue component of backlog for these projects is not included in the Company's reported revenue. As at December 31, 2019, reported backlog from projects that are accounted for using the equity method was $nil (December 31, 2018 - $nil).

34. 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 Infrastructure Management Inc.	Alberta
Aecon Construction and Materials Limited	Ontario
Bermuda Skyport Corporation Limited	Bermuda
Groupe Aecon Quebec Ltee.	Quebec
Aecon Transportation West Ltd.	Alberta

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

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
OPG Darlington RFR Project	Canada	50.0%	Construction
Eglinton Crosstown LRT Construction Project	Canada	25.0%	Construction
Eglinton Crosstown LRT Concessionaire	Canada	25.0%	Concession
Réseau express métropolitain Montreal LRT	Canada	24.0%	Construction
Site C Generating Station and Spillways Civil Works	Canada	30.0%	Construction
SA Energy Group	Canada	50.0%	Construction
Frontier - Kemper Aecon Kemano Project	Canada	40.0%	Construction
Annacis Wastewater Treatment Plant	Canada	50.0%	Construction
Gordie Howe International Bridge Project	Canada and USA	20.0%	Construction
Gordie Howe International Bridge Concessionaire	Canada and USA	20.0%	Concession
Viva Project	Canada	50.0%	Construction
OPG Darlington TGR Project	Canada	60.0%	Construction
Finch West LRT Construction Project	Canada	33.0%	Construction
Finch West LRT Concessionaire	Canada	33.0%	Concession
Second Narrows Water Supply Tunnel Project	Canada	40.0%	Construction
Bruce Power Unit 6 FCFR	Canada	40.0%	Construction
OPG Darlington D20 Project	Canada	60.0%	Construction
Peace River Project	Canada	50.0%	Construction
Aecon Six Nations JV	Canada	49.0%	Construction
Highway 401 Expansion Project	Canada	50.0%	Construction
Yellowline Asphalt Products Ltd.	Canada	50.0%	Construction
Waterloo LRT Concessionaire	Canada	10.0%	Concession

The Company enters into transactions with certain equity accounted investees as part of the normal course of operations. The Company had the following transactions with equity accounted investees:

As at December 31, 2019, trade receivables include amounts due from equity accounted investees of $34,117 (2018 - $36,502), and trade payables include amounts due to equity accounted investees of $1,363 (2018 - $839).

For the year ended December 31, 2019, revenue includes sales to equity accounted investees of $418,403 (2018 - $383,310), and direct costs and expenses include purchases from equity accounted investees of $11,721 (2018 - $17,377).

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

	December 31 2019	December 31 2018
Short-term employee benefits	**$ 9,075**	$ 11,285
Post-employment benefits	**117**	96
Executive transition payments	**7,000**	-
Stock-based payments	**4,968**	4,585
	$ 21,160	$ 15,966

35. SUBSEQUENT EVENT

On February 3, 2020, the Company acquired Voltage Power ("Voltage"), an electrical transmission and substation contractor headquartered in Winnipeg, Manitoba. The base purchase price is $30,000 in cash, with additional earnout payments possible based on achieving minimum targets over the next three years. Previously a private, employee-owned company, Voltage brings key medium to high-voltage power transmission and distribution capabilities to Aecon.

The preliminary purchase price allocations for the above acquisition have not been finalized pending final determination of the fair values of assets acquired and liabilities assumed.