Management's Responsibility for Financial Reporting

The accompanying audited consolidated financial statements ("financial statements") of SNC-Lavalin Group Inc. and all the information in this financial report are the responsibility of management and are approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances.

The significant accounting policies used are described in Note 2 to the financial statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the financial report and has ensured that it is consistent with that in the financial statements.

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting. The CEO and the CFO have supervised an evaluation of the effectiveness of the Company's internal control over financial reporting, as at December 31, 2013. Based on this evaluation, the CEO and the CFO have concluded that the Company's internal control over financial reporting, as at December 31, 2013, was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements for external purposes in accordance with applicable accounting principles.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, and all of its members are independent directors. The Audit Committee meets periodically with management, as well as with the internal and independent auditors, to discuss disclosure controls and procedures, internal control over financial reporting, management information systems, accounting policies, auditing and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements, the Management's Discussion and Analysis and the independent auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditor, and reviews and approves the terms of its engagement as well as the fee, scope and timing of its services.

The financial statements have been audited, on behalf of the shareholders, by Deloitte LLP, the independent auditor, in accordance with Canadian generally accepted auditing standards. The independent auditor has full and free access to the Audit Committee and may meet with or without the presence of management.

ROBERT G. CARD *(signed)*
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

ALAIN-PIERRE RAYNAUD *(signed)*
EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER

MARCH 6, 2014
MONTREAL, CANADA

Independent Auditor's Report

To the Shareholders of SNC-Lavalin Group Inc.

We have audited the accompanying consolidated financial statements of SNC-Lavalin Group Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

We also have audited, in accordance with the standard for audits of internal control over financial reporting set out in the CPA Canada Handbook – Assurance, SNC-Lavalin Group Inc.'s internal control over financial reporting as at December 31, 2013, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 6, 2014 expressed an unqualified opinion on the effectiveness of SNC-Lavalin Group Inc.'s internal control over financial reporting.

Deloitte LLP[1]

MARCH 6, 2014
MONTREAL, CANADA

(1) CPA auditor, CA, public accountancy permit No. A114871

Independent Auditor's Report

To the Shareholders of SNC-Lavalin Group Inc.

We have audited the effectiveness of SNC-Lavalin Group Inc.'s internal control over financial reporting as at December 31, 2013.

Management's Responsibility

The entity's management is responsible for maintaining effective internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion based on our audit, on whether the entity's internal control over financial reporting was effectively maintained in accordance with criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "2013 COSO Framework").

We conducted our audit in accordance with the standard for audits of internal control over financial reporting set out in the CPA Handbook – Assurance. This standard requires that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.

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

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, SNC-Lavalin Group Inc. maintained, in all material respects, effective internal control over financial reporting as at December 31, 2013, in accordance with criteria established in the 2013 COSO Framework.

We have also audited, in accordance with Canadian generally accepted auditing standards, the consolidated financial statements of SNC-Lavalin Group Inc. and issued our report dated March 6, 2014.

Deloitte LLP[1]

MARCH 6, 2014
MONTREAL, CANADA

(1) CPA auditor, CA, public accountancy permit No. A114871

SNC-LAVALIN GROUP INC.

Consolidated Statements of Financial Position

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	DECEMBER 31 2013	DECEMBER 31 2012 (1)
ASSETS			
Current assets			
Cash and cash equivalents	7	**$ 1,108,694**	$ 1,174,900
Restricted cash	7	**54,616**	32,815
Trade receivables	8	**1,106,360**	1,175,152
Contracts in progress		**646,019**	764,563
Other current financial assets	9	**760,813**	428,820
Other current assets	10	**239,263**	217,819
Total current assets		**3,915,765**	3,794,069
Property and equipment:			
From ICI	5, 11	**5,132,027**	3,469,990
Excluding ICI	11	**180,368**	193,097
ICI accounted for by the equity method	5	**448,677**	373,445
ICI accounted for by the cost method	5	**426,868**	338,963
Goodwill	12	**576,929**	635,775
Deferred income tax asset	28	**254,421**	177,581
Non-current portion of receivables under service concession arrangements		**300,758**	258,924
Non-current financial assets	13	**201,276**	120,212
Other non-current assets	14	**335,536**	248,864
Total assets		**$ 11,772,625**	$ 9,610,920
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**$ 2,145,755**	$ 1,649,776
Downpayments on contracts		**226,028**	346,780
Deferred revenues		**981,584**	972,820
Other current financial liabilities	15	**411,228**	302,309
Other current liabilities	16	**153,894**	158,689
Advances under contract financing arrangements	17	**87,188**	43,273
Current portion of provisions	20	**159,661**	103,783
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	5,18	**277,392**	484,575
Total current liabilities		**4,442,730**	4,062,005
Long-term debt:			
Recourse	18	**348,733**	348,545
Non-recourse from ICI	5, 18	**3,536,912**	2,000,696
Other non-current financial liabilities	19	**125,044**	85,619
Non-current portion of provisions	20	**257,271**	219,608
Other non-current liabilities	21	**737,767**	593,429
Deferred income tax liability	28	**283,925**	222,582
Total liabilities		**9,732,382**	7,532,484
Equity			
Share capital	22	**497,130**	463,740
Retained earnings		**1,610,503**	1,714,379
Other components of equity	23	**(70,975)**	(102,686)
Equity attributable to SNC-Lavalin shareholders		**2,036,658**	2,075,433
Non-controlling interests		**3,585**	3,003
Total equity		**2,040,243**	2,078,436
Total liabilities and equity		**$ 11,772,625**	$ 9,610,920

(1) See Note 2B for explanations relating to comparative figures.
See accompanying notes to consolidated financial statements.

Approved, on behalf of the Board of Directors, by:

ROBERT G. CARD *(signed)*
DIRECTOR

PATRICIA A. HAMMICK *(signed)*
DIRECTOR

SNC-LAVALIN GROUP INC.

Consolidated Statements of Changes in Equity

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2013

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 23)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of year	**151,069**	**$ 463,740**	**$1,714,379**	**$ (102,686)**	**$ 2,075,433**	**$ 3,003**	**$ 2,078,436**
Net income	**–**	**–**	**35,768**	**–**	**35,768**	**616**	**36,384**
Other comprehensive income (loss)	**–**	**–**	**(1,578)**	**31,711**	**30,133**	**–**	**30,133**
Total comprehensive income	**–**	**–**	**34,190**	**31,711**	**65,901**	**616**	**66,517**
Dividends declared (Note 22F)	**–**	**–**	**(139,415)**	**–**	**(139,415)**	**–**	**(139,415)**
Dividends declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(34)**	**(34)**
Stock option compensation (Note 22B)	**–**	**–**	**8,260**	**–**	**8,260**	**–**	**8,260**
Shares issued under stock option plans (Note 22B)	**738**	**33,390**	**(6,911)**	**–**	**26,479**	**–**	**26,479**
Balance at end of year	**151,807**	**$ 497,130**	**$1,610,503**	**$ (70,975)**	**$ 2,036,658**	**$ 3,585**	**$ 2,040,243**

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2012 (1)

	EQUITY ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS						
	SHARE CAPITAL						
	COMMON SHARES (IN THOUSANDS)	AMOUNT	RETAINED EARNINGS	OTHER COMPONENTS OF EQUITY (NOTE 23)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at beginning of year	151,034	$ 455,682	$1,543,199	$ (115,813)	$ 1,883,068	$ 3,648	$ 1,886,716
Net income	–	–	305,927	–	305,927	415	306,342
Other comprehensive income (loss)	–	–	(6,133)	13,127	6,994	–	6,994
Total comprehensive income	–	–	299,794	13,127	312,921	415	313,336
Dividends declared (Note 22F)	–	–	(132,925)	–	(132,925)	–	(132,925)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(648)	(648)
Stock option compensation (Note 22B)	–	–	12,313	–	12,313	–	12,313
Shares issued under stock option plans (Note 22B)	210	8,597	(1,667)	–	6,930	–	6,930
Shares redeemed and cancelled (Note 22D)	(175)	(539)	(6,335)	–	(6,874)	–	(6,874)
Disposal of a subsidiary	–	–	–	–	–	(412)	(412)
Balance at end of year	151,069	$ 463,740	$ 1,714,379	$ (102,686)	$ 2,075,433	$ 3,003	$ 2,078,436

(1) See Note 2C for explanations relating to comparative figures.

See accompanying notes to consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Income Statements

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)	Note	2013	2012 (1)
Revenues by activity:			
Services		**$ 2,697,611**	$ 3,174,934
Packages		**3,113,381**	3,020,400
O&M		**1,338,318**	1,330,501
ICI accounted for by the full consolidation or cost methods		**579,918**	450,672
ICI accounted for by the equity method		**183,930**	114,453
		7,913,158	8,090,960
Direct costs of activities		**6,797,331**	6,735,975
Gross margin		**1,115,827**	1,354,985
Selling, general and administrative expenses	24	**836,588**	855,457
Restructuring costs and goodwill impairment	25	**123,464**	–
Financial expenses	26	**163,548**	139,594
Financial income	26	**(12,869)**	(13,432)
Gain from partial disposal of an ICI	5A	**(72,996)**	–
Income before income taxes		**78,092**	373,366
Income taxes	28	**41,708**	67,024
Net income		**$ 36,384**	$ 306,342
Net income attributable to:			
SNC-Lavalin shareholders		**$ 35,768**	$ 305,927
Non-controlling interests		**616**	415
Net income		**$ 36,384**	$ 306,342
Earnings per share (in $)			
Basic		**$ 0.24**	$ 2.03
Diluted		**$ 0.24**	$ 2.02
Weighted average number of outstanding shares (in thousands)	22E		
Basic		**151,497**	151,058
Diluted		**151,814**	151,304

(1) See Note 2C for explanations relating to comparative figures.

See accompanying notes to consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Comprehensive Income

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2013		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	**$ 35,768**	**$ 616**	**$ 36,384**
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 23)	**912**	**–**	**912**
Available-for-sale financial assets (Note 23)	**(151)**	**–**	**(151)**
Cash flow hedges (Note 23)	**(5,032)**	**–**	**(5,032)**
Share of other comprehensive income of investments accounted for by the equity method (Note 23)	**53,339**	**–**	**53,339**
Income taxes (Note 23)	**(17,357)**	**–**	**(17,357)**
Total of items that will be reclassified subsequently to net income	**31,711**	**–**	**31,711**
Defined benefit pension plans and other post-employment benefits (Note 23)	**(2,241)**	**–**	**(2,241)**
Income taxes (Note 23)	**663**	**–**	**663**
Total of items that will not be reclassified subsequently to net income	**(1,578)**	**–**	**(1,578)**
Total other comprehensive income	**30,133**	**–**	**30,133**
Total comprehensive income	**$ 65,901**	**$ 616**	**$ 66,517**

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	2012 (1)		
	ATTRIBUTABLE TO SNC-LAVALIN SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL
Net income	$ 305,927	$ 415	$ 306,342
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 23)	(14,947)	–	(14,947)
Available-for-sale financial assets (Note 23)	1,194	–	1,194
Cash flow hedges (Note 23)	32,257	–	32,257
Share of other comprehensive income of investments accounted for by the equity method (Note 23)	3,803	–	3,803
Income taxes (Note 23)	(9,180)	–	(9,180)
Total of items that will be reclassified subsequently to net income	13,127	–	13,127
Defined benefit pension plans and other post-employment benefits (Note 23)	(8,058)	–	(8,058)
Income taxes (Note 23)	1,925	–	1,925
Total of items that will not be reclassified subsequently to net income	(6,133)	–	(6,133)
Total other comprehensive income	6,994	–	6,994
Total comprehensive income	$ 312,921	$ 415	$ 313,336

(1) See Note 2C for explanations relating to comparative figures.

See accompanying notes to consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Cash Flows

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	Note	2013	2012 (1)
Operating activities			
Net income		**$ 36,384**	$ 306,342
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation of property and equipment and amortization of other non-current assets:			
From ICI		**133,074**	99,205
Excluding ICI		**67,879**	61,571
Income taxes recognized in net income	28	**41,708**	67,024
Income taxes paid		**(73,007)**	(19,134)
Net financial expenses recognized in net income	26	**150,679**	126,162
Interest paid:			
From ICI		**(116,436)**	(112,090)
Excluding ICI		**(24,337)**	(22,484)
Expense recognized in respect of stock options	22B	**8,260**	12,313
Expense recognized in respect of cash-settled share-based payment arrangements	22C	**7,081**	10,022
Income from ICI accounted for by the equity method		**(183,930)**	(114,453)
Dividends and distributions received from ICI accounted for by the equity method		**158,870**	112,427
Goodwill impairment	25	**56,500**	–
Net change in provisions related to forecasted losses on certain contracts	2B	**29,600**	71,813
Gain from partial disposal of an ICI	5A	**(72,996)**	–
Other		**(15,856)**	795
		203,473	599,513
Net change in non-cash working capital items	27	**129,720**	(95,207)
Net cash generated from operating activities		**333,193**	504,306
Investing activities			
Acquisition of property and equipment:			
From ICI		**(1,545,946)**	(849,205)
Excluding ICI		**(55,520)**	(96,166)
Payments for ICI	5C	**(43,632)**	(64,055)
Acquisition of businesses	6	**(1,925)**	(17,825)
Payments for interests in a joint venture	6E	**–**	(40,255)
Increase in receivables under service concession arrangements		**(63,194)**	(28,344)
Recovery of receivables under service concession arrangements		**12,845**	22,719
Increase in short-term investments		**(114,157)**	–
Decrease in short-term investments		**85,294**	–
Proceeds from partial disposal of an ICI	5A	**86,349**	–
Other		**(31,036)**	10,183
Net cash used for investing activities		**(1,670,922)**	(1,062,948)
Financing activities			
Increase in non-recourse debt from ICI		**1,744,756**	802,907
Repayment of non-recourse debt from ICI		**(410,187)**	(203,612)
Increase in advances under contract financing arrangements	17	**159,463**	43,273
Repayment of advances under contract financing arrangements	17	**(117,137)**	–
Proceeds from exercise of stock options		**26,479**	6,930
Redemption of shares	22D	**–**	(6,874)
Dividends paid to SNC-Lavalin shareholders	22F	**(139,415)**	(132,925)
Other		**5,589**	(4,597)
Net cash generated from financing activities		**1,269,548**	505,102
Increase (decrease) from exchange differences on translating cash and cash equivalents		**1,975**	(2,609)
Net decrease in cash and cash equivalents		**(66,206)**	(56,149)
Cash and cash equivalents at beginning of year		**1,174,900**	1,231,049
Cash and cash equivalents at end of year		**$ 1,108,694**	$ 1,174,900

(1) See Notes 2B and 2C for explanations relating to comparative figures.

See accompanying notes to consolidated financial statements.

SNC-LAVALIN GROUP INC.

Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

(ALL TABULAR FIGURES IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

1. DESCRIPTION OF BUSINESS

SNC-Lavalin Group Inc. is incorporated under the Canada Business Corporations Act and has its registered office at 455 René-Lévesque Boulevard West, Montreal, Quebec, Canada H2Z 1Z3. SNC-Lavalin Group Inc. is a public company listed on the Toronto Stock Exchange in Canada. Reference to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

The Company provides engineering and construction ("E&C") and operations and maintenance ("O&M") expertise through its network of offices located across Canada and in over 40 other countries, and is currently working on projects around the world. SNC-Lavalin also makes select investments in infrastructure concessions that are complementary to its other activities.

The Company reports its revenues under **four categories of activity**, which are as follows:

- **Services**: includes contracts wherein SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning.

  Services revenues are derived primarily from cost-plus reimbursable contracts.

- **Packages**: includes contracts wherein SNC-Lavalin is responsible not only for providing one or more of the Services activities listed above, but also undertakes the responsibility for providing materials and equipment, and usually also includes construction activities.

  Packages revenues are derived primarily from fixed-price contracts.

- **O&M**: consists of providing operations, maintenance and logistics solutions for buildings, power plants, water supply and treatment systems, desalination plants, postal services, broadcasting facilities, telecommunications infrastructure, highways, bridges, light rail transit systems, airports, ships, oil and gas facilities and camps for construction operations and the military.

  O&M revenues are derived primarily from cost reimbursable with fixed-fee contracts, and from fixed-price contracts.

- **Infrastructure Concession Investments ("ICI")**: regroups SNC-Lavalin's investments in infrastructure concessions for public services, such as airports, bridges, cultural and public service buildings, highways, mass transit systems, power and water treatment facilities.

In these audited consolidated financial statements ("financial statements"), activities from Services, Packages, and O&M are collectively referred to as "from E&C and O&M" or "excluding ICI" to distinguish them from ICI activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The Company's financial statements have been prepared in accordance with **International Financial Reporting Standards** ("**IFRS**") issued and effective, or issued and early adopted, for the year ended December 31, 2013, and are presented in **Canadian dollars**. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

The IFRS accounting policies set out below were consistently applied to all periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 3.

The Company's financial statements have been prepared on the historical cost basis, with the exception of i) certain financial instruments, derivative financial instruments and liabilities for cash-settled share-based payment arrangements, which are measured at fair value; and ii) defined benefit liability, which is measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets. Historical cost generally represents the fair value of consideration given in exchange for assets upon initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based Payment*, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36, *Impairment of Assets*.

The Company's financial statements were authorized for issue by the Board of Directors on March 6, 2014.

B) CHANGES IN PRESENTATION

In the year ended December 31, 2013, the Company has made a retrospective change to the presentation of its statement of cash flows and comparative figures were reclassified for the net change in provisions related to forecasted losses on certain contracts, to provide details on this element. Therefore, the amount of the net change in provisions related to forecasted losses on certain contracts of $71.8 million in the year ended December 31, 2012 was reclassified from "Other" to "Net change in provisions related to forecasted losses on certain contracts" included in the operating activities in the statement of cash flows.

The Company also made a retrospective change to the presentation of its statement of financial position to present a portion of its provisions as current liability. This change mainly results from the increase of forecasted losses on certain contracts, which were not significant as at December 31, 2012 and January 1, 2012.

C) STANDARDS AND AMENDMENTS ADOPTED IN 2013

The following standards and amendments to existing standards have been adopted by the Company on January 1, 2013:

- IFRS 10, *Consolidated Financial Statements*, ("IFRS 10") replaces consolidation requirements in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*, and establishes principles for identifying when an entity controls other entities.
- IFRS 11, *Joint Arrangements*, ("IFRS 11") replaces IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, and requires a single method to account for interests in joint ventures.
- IFRS 12, *Disclosure of Interests in Other Entities*, ("IFRS 12") establishes comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and special purpose vehicles.
- IFRS 13, *Fair Value Measurement*, ("IFRS 13") provides a single source of fair value measurement and disclosure requirements in IFRS.
- Amended and re-titled IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, as a consequence of the new IFRS 10, IFRS 11 and IFRS 12.
- Amendments to IAS 1, *Presentation of Financial Statements*, to require entities to group items within other comprehensive income that may be reclassified to net income.
- Amendments to IAS 19, *Employee Benefits*, ("IAS 19") to eliminate the corridor method that defers the recognition of gains and losses, to eliminate the concept of the expected return on plan assets, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans.
- The International Accounting Standards Board ("IASB") also issued a collection of amendments to IFRS as follows:
  - Amendments to IFRS 1, *First-Time Adoption of IFRS*, ("IFRS 1") related to repeated application of IFRS 1 and to borrowing costs.
  - Amendments to IAS 1, *Presentation of Financial Statements*, related to clarification of the requirements for comparative information.
  - Amendments to IAS 16, *Property, Plant and Equipment*, related to classification of servicing equipment.
  - Amendments to IAS 32, *Financial Instruments: Presentation*, related to tax effect of distribution to holders of equity instruments.
  - Amendments to IAS 34, *Interim Financial Reporting*, related to interim financial reporting and segment information for total assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Except for IFRS 12, which only had an impact on disclosures of the Company's interests in other entities, and for the amendments to IAS 19, the standards and amendments listed above did not have a significant impact on the Company's financial statements. The initial application of the amendments to IAS 19 was made in accordance with its transitional provisions and resulted in a retrospective application in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. For the year ended December 31, 2012, the amendments to IAS 19 resulted in an increase in the net defined benefit pension cost included in "selling, general and administrative expenses" on the income statement and in an equivalent decrease in actuarial losses recognized in the statement of comprehensive income arising from defined benefit pension plans and other post-employment benefits, with a $nil impact to the Company's retained earnings. This change relates mainly to the elimination of the expected rate of return on plan assets, which is replaced by a discount rate applied to the net defined benefit pension liability under the amendments to IAS 19. The tables below present the impact from the adjustments made to the comparative figures for the year ended December 31, 2012.

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)		2012
Impact on consolidated income statement:		
Increase in selling, general and administrative expenses	$	(4,240)
Decrease in income taxes		1,052
Decrease in net income		(3,188)
Net income, as published in consolidated financial statements		309,530
Net income, as adjusted	$	306,342

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)		2012
Impact on consolidated statement of comprehensive income:		
Decrease in actuarial losses arising from defined benefit pension plans and other post-employment benefits	$	4,240
Increase in income taxes		(1,052)
Increase in total other comprehensive income		3,188
Total other comprehensive income, as published in consolidated financial statements		3,806
Total other comprehensive income, as adjusted	$	6,994

YEAR ENDED DECEMBER 31 (IN DOLLARS)		2012
Impact on basic earnings per share:		
Basic earnings per share, as published in consolidated financial statements	$	2.05
Basic earnings per share, as adjusted		2.03
Decrease in basic earnings per share	$	(0.02)

YEAR ENDED DECEMBER 31 (IN DOLLARS)		2012
Impact on diluted earnings per share:		
Diluted earnings per share, as published in consolidated financial statements	$	2.04
Diluted earnings per share, as adjusted		2.02
Decrease in diluted earnings per share	$	(0.02)

For the year ended December 31, 2013, the application of the amendments to IAS 19 increased the net defined benefit pension cost included in "selling, general and administrative expenses" on the income statement by approximately $5.0 million ($3.8 million after income taxes), with an equivalent decrease in actuarial losses recognized in the statement of comprehensive income arising from defined benefit pension plans and other post-employment benefits and a $nil impact to the Company's retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) STANDARD, AMENDMENTS AND INTERPRETATION ISSUED TO BE ADOPTED AT A LATER DATE

The following interpretation and amendments to existing standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2014 and thereafter, with an earlier application permitted:

- IFRIC Interpretation 21, *Levies*, considers how an entity should account for levies imposed by governments, other than income taxes, in its financial statements.
- *Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to IAS 36, *Impairment of Assets*) address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

The following amendments and collections of amendments to the standards has been issued by the IASB and are applicable to the Company for its annual periods beginning on January 1, 2015 and thereafter, with an earlier application permitted:

- *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19, *Employee Benefits*) apply to contributions from employees or third parties to defined benefit plans, which objective is to simplify the accounting for contributions that are independent of the number of years of employee service.
- Annual improvements to IFRS (2010-2012 Cycle), which include among others:
    - Amendments to IFRS 2, *Share-based Payments*, relate to the definitions of “vesting condition” and “market condition” and add definitions for “performance condition” and “service condition”.
    - Amendments to IFRS 3, *Business Combinations*, (“IFRS 3”) clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument or a non-financial asset or liability.
    - Amendments to IFRS 8, *Operating Segments*, require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments’ assets and to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
    - Amendments to IFRS 13, *Fair Value Measurement*, clarify that the issuance of IFRS 13 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.
- Annual improvements to IFRS (2011-2013 Cycle), which include among others:
    - Amendments to IFRS 3, *Business Combinations*, clarify that the scope of IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.
    - Amendments to IFRS 13, *Fair Value Measurement*, clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, even if those contracts do not meet the definition of financial assets or financial liabilities.

The following standard has been issued and is applicable at a later date to be determined by the IASB, with earlier application permitted:

- IFRS 9, *Financial Instruments*, covers mainly i) the classification and measurement of financial assets and financial liabilities; and ii) the new hedge accounting model.

The Company is currently evaluating the impact of adopting these interpretation, amendments and standard on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E) BASIS OF CONSOLIDATION

In accordance with IFRS, SNC-Lavalin's interests in other entities subject to control, joint control or significant influence are accounted for as follows:

TYPE OF INTEREST	TYPE OF INFLUENCE	ACCOUNTING METHOD
Subsidiary	Control	Full consolidation method
Joint venture	Joint control	Equity method
Joint operation	Joint control	SNC-Lavalin's proportionate interest
Associate	Significant influence	Equity method

A subsidiary that is not wholly-owned by SNC-Lavalin results in non-controlling interests that are presented separately on the consolidated statement of financial position, while the portions of net income and of comprehensive income attributable to such non-controlling interests are also shown separately on the consolidated income statement and on the consolidated statement of comprehensive income, respectively.

When necessary, adjustments are made to the financial statements of subsidiaries, joint arrangements and associates to bring their accounting policies in line with those used by the Company.

Business acquisitions

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company, if any, in exchange for control of the acquiree. Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date.

Business acquisition costs are expensed in the periods in which these costs are incurred and the services are received.

The results of businesses acquired are included in the consolidated financial statements from the date on which control commences.

F) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The individual financial statements of each entity within the Company are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity within the Company are expressed in Canadian dollars ("CA$"), which is the presentation currency of the Company for its consolidated financial statements.

Foreign currency transactions and balances

For the purpose of preparing financial statements, Canadian and foreign operations apply the following procedure on transactions and balances in currencies other than their functional currency: 1) monetary items are translated in their functional currency using the exchange rate in effect at the period end rate; 2) non-monetary items are translated in their functional currency using the historical exchange rate if they are measured at cost, or using the exchange rate at the measurement date if they are measured at fair value; and 3) revenues and expenses are translated in their functional currency using the average exchange rate of the period. Any resulting gains or losses are recognized in net income and, if hedged, offsetting losses or gains from the hedging items are also recognized in net income.

As a result of applying the procedure described above, Canadian and foreign operations obtain financial statements presented in their functional currency.

Translation of financial statements of foreign operations

For the purpose of presenting consolidated financial statements in Canadian dollars, the assets and liabilities of the Company's foreign operations that have a functional currency other than Canadian dollars are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period, while revenues and expenses items are translated at the average exchange rate for the period. Exchange differences arising on consolidation, if any, are recognized initially in other comprehensive income and reclassified from equity to net income on disposal or partial disposal, or in the case of impairment of the net investment.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the period end rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) REVENUE RECOGNITION

REVENUES FROM SERVICES, PACKAGES, AND OPERATIONS AND MAINTENANCE ACTIVITIES

Revenues from **Services, Packages**, and **Operations and Maintenance** activities are recognized based on the nature of the contract, which are mainly as follows:

- **Services and Packages:** Revenues from **cost-plus reimbursable contracts** (usually providing for the reimbursement of costs related to time and material, plus an applicable margin) are recognized as costs are incurred, and include applicable margin earned as services are provided. Revenues from **fixed-price contracts** and **cost-plus contracts for which the capped value is expected to be reached** are recognized on the stage of completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its stage of completion at any given time. Revenues from **mixed contracts** (providing for a mix of fixed-price and cost-plus reimbursable) are also recognized based on the stage of completion method. The stage of completion is determined by dividing the cumulative costs incurred as at the period end date by the sum of incurred costs and anticipated costs for completing a contract.

- **Operations and Maintenance**: The fixed-fee revenue portion from **cost reimbursable with fixed-fee contracts** is recognized on a straight-line basis over the term of the contract, while the revenues from the cost-reimbursable portion are recognized as costs are incurred. Revenues on **fixed-price contracts** are recognized based on the stage of completion of the contract activity which involves taking the cumulative costs incurred as at the period end date and dividing them by the sum of incurred costs and anticipated costs for completing a contract. This measure of progress is then applied to the related anticipated revenue, resulting in recognizing revenues proportionately with the stage of completion at any given time.

For fixed-price contracts in all of the above-mentioned activities, the cumulative effect of changes to anticipated costs and anticipated revenues for completing a contract are recognized in the period in which the revisions are identified. In the event that the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known. SNC-Lavalin has numerous contracts that are in various stages of completion. Estimates are required to determine the appropriate anticipated costs and revenues. Anticipated revenues on contracts may include future revenues from claims and unapproved change orders, if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. Such additional revenues are limited to the costs related to the claims or unapproved change orders. Revenues from performance incentives are recognized when specific indicators have been met and collection is reasonably assured.

In all cases, the value of construction activities, material and equipment purchased by SNC-Lavalin, when acting as purchasing agent for a client, is not recorded as revenue.

REVENUES FROM ICI

Revenues from **ICI** regroup the following:

ACCOUNTING METHODS FOR THE COMPANY'S INVESTMENTS IN ICI	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Full consolidation	**Revenues** that are recognized and reported by the ICI
Equity method	SNC-Lavalin's **share of net results** of the ICI or **dividends** from its ICI for which the carrying amount is $nil
Cost method	**Dividends and distributions** from the ICI

MULTIPLE REVENUE CATEGORY CONTRACTUAL ARRANGEMENTS

SNC-Lavalin may enter into contractual arrangements with a client to deliver activities on one project which span more than one of the following categories: Services or Packages, and/or Operations and Maintenance, and/or ICI. When entering into such arrangements, the Company allocates consideration received or receivable by reference to the relative fair values of the services delivered, when the amounts are separately identifiable. Accordingly, when such arrangements exist on the same project, the value of each revenue category is based on the fair value of each related activity and recognized according to the respective revenue recognition methods described above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H) FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

Financial instruments are contracts that give rise to a financial asset or a financial liability. Unless specifically covered by another accounting policy, the measurement of financial assets and financial liabilities is based on their classification, which is one of the following for SNC-Lavalin:

CATEGORY	APPLICABLE TO	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	RECOGNITION OF INCOME/EXPENSE AND GAINS/LOSSES ON REMEASUREMENT, IF ANY
Fair value through profit or loss ("FVTPL")	Financial assets and financial liabilities	Fair value	Fair value	All recognized in net income
Available-for-sale	Financial assets	Fair value including transaction costs	Fair value derived from published bid price quotations for listed securities. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.	Investment income, which includes interest, dividends and distributions, is recognized in net income. Gains/losses from revaluation are recognized in other comprehensive income until assets are disposed of or impaired, at which time the gains/losses are recognized in net income.
Loans and receivables	Financial assets	Fair value including transaction costs	Amortized cost using the effective interest method	All recognized in net income
Other financial liabilities	Financial liabilities	Fair value including transaction costs		

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGE ACCOUNTING

SNC-Lavalin enters into derivative financial instruments, namely i) forward exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii) interest-rate swaps to hedge the variability of interest rates relating to financing arrangements. SNC-Lavalin 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. As such, all the derivative financial instruments described above qualify for hedge accounting and are accounted for as cash flow hedges and are measured at fair value. The Company does not enter into derivative financial instruments for speculative purposes.

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 instruments is recorded in other components of equity, while the ineffective portion, if any, of such change is recognized in net income. Gains or losses from cash flow hedges included in other components of equity are reclassified to net income as an offset to the losses or gains recognized on the underlying hedged items.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL and those available-for-sale measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in net income.

When an available-for-sale financial asset is considered to be impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to net income. Impairment losses previously recognized in net income are not reversed through net income. Any increase in fair value subsequent to an impairment is recognized in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I) SERVICES CONCESSION ARRANGEMENTS UNDER IFRIC INTERPRETATION 12

IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12") provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government):

- controls or regulates what services the operator (i.e. "the concessionaire") must provide with the infrastructure, to whom it must provide them, and at what price; and
- 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	DEMAND RISK
Financial asset model	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, e.g. availability payments).
Intangible asset model	The concessionaire bears demand risk (i.e., it has a right to charge fees for usage of the infrastructure).
Bifurcated model	The concessionaire shares demand risk with the grantor (i.e., the grantor pays the concessionaire for its services partly by a financial asset and partly by granting a right to charge users of the infrastructure).

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

ACTIVITIES PROVIDED BY THE CONCESSIONAIRE	REVENUE RECOGNITION	CLASSIFICATION OF REVENUES IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Construction or upgrade (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 Note 2G).	The Company classifies these revenues as "Packages" activities when SNC-Lavalin acts as an EPC contractor. When SNC-Lavalin does not act as an EPC contractor, revenues are recognized by the concession as part of "ICI" activities.
Operations and maintenance (these 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 operation and maintenance contract (see Note 2G).	The Company classifies these revenues as "O&M" activities when SNC-Lavalin acts as an O&M contractor. When SNC-Lavalin does not act as an O&M contractor, revenues are recognized by the concession as part of "ICI" activities.
Rehabilitation (when a service concession arrangement requires the concessionaire to rehabilitate the infrastructure such that the infrastructure can deliver a specified standard of service at all times)	When rehabilitation activities are considered revenue-generating activities, revenues are recognized in the period in which the services are provided, consistent with the Company's accounting policy on recognizing revenue applicable to any other similar contract (see Note 2G).	The Company classifies these revenues as "O&M" activities when SNC-Lavalin acts as a rehabilitation contractor. When SNC-Lavalin does not act as a rehabilitation contractor, revenues are recognized by the concession as part of "ICI" activities.
Financing (when financial asset model or bifurcated model is applied)	Finance income generated on financial assets is recognized using the effective interest method.	The Company classifies this finance income as "ICI" activities.

Financial asset model

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.

Revenues recognized by the Company under the financial asset model are accumulated in "Receivables under service concession arrangements", a financial asset that is recovered through payments received from the grantor.

Intangible asset model

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fees collected by the concessionaire upon the usage of the infrastructure are classified as revenues from "ICI" activities.

J) CASH EQUIVALENTS

Cash equivalents include short-term liquid investments that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are designated as FVTPL and accounted for at fair value.

K) RESTRICTED CASH

Restricted cash includes cash and cash equivalents for which the use is restricted for specific purposes under certain arrangements. Restricted cash that is not expected to become unrestricted within the next twelve months is included in "Non-current financial assets" (Note 13). Restricted cash is designated as FVTPL and accounted for at fair value.

L) CONTRACTS IN PROGRESS

Contracts in progress represent the gross unbilled amount for a given project that is expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized by the Company to date less progress billings.

If progress billings for a given project exceed costs incurred plus recognized profits, then the difference is presented as deferred revenues.

M) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is recorded at rates set to charge operations with the cost of depreciable assets less their residual values (if any) over their estimated useful lives.

FROM ICI

Property and equipment from ICI that are accounted for by the full consolidation method are primarily:

ICI	CATEGORY	DEPRECIATION METHOD
AltaLink	Transmission assets and other	Straight-line

Borrowing costs are capitalized if they are incurred in connection with the acquisition or production of a "qualified asset" for which a considerable period of time is required to prepare the asset for its intended use.

AltaLink borrows funds to provide financing for its capital construction program. Borrowing costs eligible for capitalization are allocated to capital expenditures. The capitalization rate is based on actual costs of debt used to finance the acquisition or construction of qualifying assets.

The depreciation rates applied to property and equipment of AltaLink are disclosed in Note 11.

EXCLUDING ICI

Property and equipment used for Services, Packages, and Operations and Maintenance activities are primarily:

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Buildings	Straight-line, by component	25 to 50 years
Computer equipment	Straight-line	2 years
Office furniture	Diminishing balance	20%

N) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets, which mainly include property and equipment, and its intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recoverable amount is the higher of: i) fair value less costs to sell; and ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in net income.

O) GOODWILL

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed. Goodwill on acquisition of subsidiaries is separately disclosed and goodwill on acquisitions of associates and joint ventures is included within investments accounted for by the equity method. For the purpose of impairment testing, goodwill is allocated to each of the Company's CGU or group of CGU expected to benefit from the synergies of the combination. A CGU or group of CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU or group of CGU may be impaired. If the recoverable amount of the CGU or group of CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGU and then to the other assets of the CGU or group of CGU pro-rata on the basis of the carrying amount of each asset in the CGU or group of CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The Company has designated October 31 as the date for the annual impairment test.

P) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes and systems and satisfy generally accepted conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs are amortized when commercial production begins, using the straight-line method over a period not exceeding three years.

Q) DOWNPAYMENTS ON CONTRACTS

Downpayments on contracts are contractually agreed advance payments made by clients that are deducted from future billings to such clients as work is performed.

R) DEFERRED REVENUES

Deferred revenues consist of amounts billed to clients for a given project in excess of revenue recognized according to the corresponding revenue recognition method and represents the opposite of contracts in progress. A given project may present an amount in either deferred revenues or in contracts in progress, but not both.

S) INCOME TAXES

Income taxes recognized in net income comprise the sum of deferred income tax and current income tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise amounts receivable from or payable to tax authorities relating to the current or prior reporting periods, which are uncollected or unpaid at the reporting date. Current tax is payable on taxable income, which differs from net income in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax on temporary differences associated with shares in subsidiaries, joint arrangements and associates is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. For management's assessment of the probability of future taxable income to utilize against deferred income tax assets, see Note 3. Deferred income tax liabilities are always provided for in full.

Deferred income tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred income tax assets or liabilities are recognized as a component of income taxes in net income, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred income tax is recognized in other comprehensive income or equity, respectively.

T) DEFINED BENEFIT PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Defined benefit pension plans and other post-employment benefits obligations are included in "Provisions" in the consolidated statement of financial position and have been determined using the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement to the eligible employees and measures each unit separately to build up the final obligation. In valuing the defined benefit cost as well as other post-employment benefits, assumptions are based on management's best estimates, except for the discount rate where the Company uses the market interest rate at the measurement date based on high quality corporate bonds with cash flows that match the timing and amount of expected benefit payments.

Remeasurement, comprising i) actuarial gains and losses, ii) the effect of the changes to the asset ceiling (if applicable), and iii) the return on plans' assets (excluding interest), is credited or charged to equity in other comprehensive income in the period in which it arises. Remeasurement recognized in other comprehensive income is not reclassified to net income in subsequent periods. The cumulative amount of remeasurement is included in retained earnings.

Defined benefit costs comprise i) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), ii) net interest expense or income; and iii) remeasurement. Service cost and net interest income or expense are recognized in net income while the remeasurement is recognized in other comprehensive income in the period. Net interest is calculated by applying the discount rate at the beginning of the period to the net accrued defined pension benefit liability or asset.

U) SELLING EXPENSES

All costs related to contract proposals are expensed as incurred.

V) EARNINGS PER SHARE

Basic and diluted earnings per share have been determined by dividing the consolidated net income attributable to SNC-Lavalin shareholders for the period by the basic and diluted weighted average number of shares, respectively.

The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant with deemed proceeds from the exercise of such dilutive options used to repurchase common shares at the average market price for the period.

W) SHARE-BASED PAYMENTS

Stock options

Stock options granted to employees are measured at their fair value at the grant date. The estimated fair value of the stock options is determined using the Black-Scholes option pricing model.

The fair value determined at the grant date of the stock options is expensed on a straight-line basis over the shorter of the vesting period or the term over which an employee becomes eligible to retire, based on the Company's estimate of stock options that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of stock options expected to vest and the impact of such revision, if any, is recognized in net income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash-settled share-based payment arrangements

The objective of the 2009 Performance Share Unit plan ("2009 PSU plan"), 2009 Deferred Share Unit plan ("2009 DSU plan"), Restricted Share Unit plan ("RSU plan"), Performance Share Unit plan ("PSU plan"), and Deferred Share Unit plan ("DSU plan") is to align compensation to the long-term objectives of the Company. For share units granted to employees under cash-settled share-based payment arrangements, a liability is recognized and measured at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net income for the period.

X) PROVISIONS

A provision is a liability of uncertain timing or amount that is recognized in the consolidated statement of financial position.

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical accounting judgments and key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue and gross margin recognition

The determination of **anticipated costs** for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors.

The determination of **anticipated revenues** includes the contractually agreed revenue and may also involve estimates of future revenues from claims and unapproved change orders if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. An example of such contract variation could be a change in the specifications or design of the project, whereby costs related to such variation might be incurred prior to the client's formal contract amendment signature. A claim represents an amount expected to be collected from the client or a third-party as reimbursement for costs incurred that are not part of the original contract. In both cases, management's judgments are required in determining the probability that additional revenue will be recovered from these variations and in determining the measurement of the amount to be recovered.

As risks and uncertainties are different for each fixed-price project, the sources of variations between anticipated costs and actual costs incurred will also vary for each project. In particular, while Services and Packages activities usually do not exceed 4 years, O&M activities include fixed-price contracts for which the duration might exceed 20 years, notably on certain public-private partnership arrangements. The long-term nature of certain fixed-price arrangements usually results in significant estimates related to scheduling and prices.

The determination of estimates is based on SNC-Lavalin's business practices as well as its historical experience. Furthermore, management regularly reviews underlying estimates of project profitability.

Service concession arrangements

The accounting for certain ICI activities requires the application of judgment in determining if they fall within the scope of IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12"). Additional judgments need to be exercised 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, the accounting treatment of rehabilitation costs and associated estimates, as well as the effective interest rate to be applied to the financial asset. As the accounting for ICI 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 ICI.

Basis of consolidation

Under certain circumstances, the determination of the Company's level of power over an investee requires exercise of judgment. As such, the classification of the entity as a subsidiary, a joint arrangement, an associate or a cost investment might require the application of judgment through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Values used in impairment tests

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU or group of CGU to which goodwill has been allocated. The value in use calculation requires management to estimate future cash flows expected to arise from the CGU or group of CGU and a suitable discount rate in order to calculate present value. The key assumptions required for the value in use estimation are the future cashflows growth rate and the discount rate. Cash flows for each CGU or group of CGU are derived from the budget for the upcoming year and a long-term forecast prepared by management, which covers a period from 3 to 5 years. The budget, which is approved on an annual basis by members of the Company's Board of Directors and senior management, and long-term forecast, which is prepared on an annual basis by the Company's senior management, are the primary sources for the determination of value in use. Cash flows beyond the long-term forecast are extrapolated using a growth rate, which varied between 3.2% and 8.3% in 2013 (2012: between 3.7% and 8.0%). The discount rate is derived from the Company's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks. Discount rates ranging from 5.6 % to 16.5% have been used for goodwill impairment calculations performed in 2013 (2012: from 5.6% to 16.6%). The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

When there is any indication that the tangible and intangible assets other than goodwill have suffered an impairment loss, the determination of the recoverable amount of tangible and intangible assets other than goodwill requires management to estimate cash flows expected to arise from these assets and a suitable discount rate in order to calculate the present value in a manner described above for goodwill.

The identification of events that could have an impact on the estimated cash flows of the assets and the determination of these estimated cash flows require the exercise of judgment, which might result in significant variances in the carrying amount of these assets.

Measurement of retirement benefit obligations and other post-employment benefit obligations

SNC-Lavalin's obligations and expenses relating to defined benefit pension plans and other post-employment benefits are determined using actuarial valuations, and are dependent on assumptions such as the rate of compensation increase as determined by management. While management believes these assumptions represent its best estimate, differences in actual results or changes in assumptions could have an impact on the obligations, expenses and amounts of actuarial gains (losses) recognized in the consolidated statement of comprehensive income.

Measurement of provisions shown in the consolidated statement of financial position

In measuring a provision, the Company takes risks and uncertainties into account. The uncertainties mainly relate to timing and amount of a provision. Also, risks and uncertainties arise from discounting a provision, where the effect of the time value of money is significant, using a pre-tax discount rate that reflects current market assessments of the time value of money. Additionally, the Company takes future events, such as changes in the law, into account where there is sufficient objective evidence that they will occur when measuring a provision.

Contingent liabilities

As described in more details in Note 32, the Company is subject to certain ongoing investigations and class action lawsuits have been filed against the Company. The outcome of these investigations or actions, while not determinable, could have a material adverse impact on the Company's liquidity and financial results.

Measurement of share-based payment expenses

The Company offers the 2009 PSU plan to selected individuals within the organization. Subject to performance conditions, the number of units granted is adjusted depending on the three-year cumulative annualized growth of earnings per share to determine the number of units to which all participants receiving the award will be entitled at the end of the vesting period. At each measurement date, management is required to estimate the number of 2009 performance share units that will vest, which impacts the amount of associated liability and expenses.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Assessment of deferred income tax assets and liabilities

Deferred income tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of significant judgment in determining whether or not the Company's deferred income tax assets are "probable" to be recovered from future taxable income and therefore, can be recognized in the Company's consolidated financial statements. Also, estimates are required to determine the expected timing upon which tax assets will be realized and upon which tax liabilities will be settled, and the enacted or substantively enacted tax rates that will apply at such time.

Measurement of financial instruments at fair value

The Company measures certain of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When no readily available data is available, management is required to estimate the fair value of the instrument using various inputs that are either directly or indirectly observable, or that are not based on observable market data.

Rate-regulated activities

AltaLink, a subsidiary of the Company, is an entity whose operations are subject to rate regulation. Certain estimates are necessary since the regulatory environment in which AltaLink operates often requires amounts to be recorded at estimated values until these amounts are finalized in regulatory decisions, or other regulatory proceedings. Estimates and judgments are based on historical experience, including experience with the regulatory process, current conditions and various other assumptions that are believed to be reasonable under the circumstances. These factors form the basis for making judgments about the carrying values of assets and liabilities.

4. SEGMENT DISCLOSURES

The Company's results are analyzed by segment. The segments regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated:

i) **Services and Packages** activities relate to engineering and construction operations and are presented in the way management performance is evaluated by regrouping its projects within the related industries, and are as follows:

- **Infrastructure & Environment** includes a full range of infrastructure projects for the public and private sectors including airports, buildings, health care, educational and recreational facilities, seaports, marine and ferry terminals, flood control systems, urban transit systems, railways, roads and bridges, and water and wastewater treatment and distribution facilities. The Company also provides environmental services worldwide, and has specialized expertise in the power, infrastructure, oil & gas, mining, industrial, rural development and climate change sectors.
- **Power** includes projects in hydro, thermal and nuclear power generation, energy from waste, green energy solutions, and transmission and distribution.
- **Mining & Metallurgy** includes a full range of activities for all mineral and metal recovery processes, including mine infrastructure development, mineral processing, smelting, refining, mine closure and reclamation, mine and tailings management, as well as production of fertilizers.
- **Oil & Gas** (previously Hydrocarbons & Chemicals) includes projects in the areas of bitumen production, heavy oil production, onshore and offshore oil and gas, upgrading and refining, petrochemicals, specialty chemicals, biofuels, gas processing, liquefied natural gas plants and re-gasification terminals, coal gasification, carbon capture, transportation and storage, pipelines, terminals and pump stations.
- **Other Industries** combines projects in several industry sectors, namely agrifood, pharmaceuticals and biotechnology, sulphuric acid, as well as projects related to other industrial facilities not already identified as part of any other preceding industry segments.

  The industry segments presented above represent the Company's segments that have been aggregated within Services and Packages, a reportable segment.

4. SEGMENT DISCLOSURES (CONTINUED)

ii) **O&M** consists of providing operations, maintenance and logistics solutions for buildings, power plants, water supply and treatment systems, desalination plants, postal services, broadcasting facilities, telecommunications infrastructure, highways, bridges, light rail transit systems, airports, ships, oil and gas facilities, and camps for construction operations and the military.

iii) **ICI** regroups SNC-Lavalin's investments in infrastructure concessions, for which further details are provided in Note 5.

The accounting policies for the segments are the same as those described in the Summary of Significant Accounting Policies (Note 2), except for imputed interest calculated on non-cash working capital position. The Company evaluates segment performance, except for the ICI segment, using **operating income**, which consists of gross margin less directly related selling, general and administrative expenses, imputed interest and corporate selling, general and administrative expenses. Imputed interest is allocated monthly to these segments at a rate of 10% per year resulting in a cost or revenue depending on whether the segment's current assets exceeded current liabilities and vice versa, while corporate selling, general and administrative expenses are allocated based on the gross margin of each of these segments. Corporate income taxes are not allocated to these segments.

The Company evaluates the ICI segment performance using: i) dividends or distributions received from investments accounted for by the cost method; ii) SNC-Lavalin's share of the net results of its investments, or dividends from its ICI for which the carrying amount is $nil, for investments accounted for by the equity method; iii) net result from investments accounted for by the full consolidation method, less the portion attributable to non-controlling interests; and iv) gain (loss) recognized in the Company's consolidated income statement on disposal or remeasurement of an ICI. In the case of ICI for which income taxes are payable by the investor, such as investments in limited partnerships in Canada, corporate income taxes are allocated based on SNC-Lavalin's tax rate for such investment. The ICI operating income also reflects selling, general and administrative expenses, including corporate selling, general and administrative expenses, but is not allocated imputed interest. Accordingly, the **operating income from ICI** is reported net of income taxes and selling, general and administrative expenses and represents SNC-Lavalin's net income from its ICI.

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents revenues and operating income (loss) according to the Company's segments:

YEAR ENDED DECEMBER 31	2013		2012 [1]	
	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME (LOSS)
Services and Packages				
Infrastructure & Environment [2]	**$ 1,947,068**	**$ (286,473)**	$ 2,070,892	$ 21,241
Power [3]	**1,570,268**	**135,838**	1,388,471	79,307
Mining & Metallurgy	**1,408,521**	**38,849**	1,519,143	97,432
Oil & Gas (Previously Hydrocarbons & Chemicals) [4]	**540,978**	**(68,068)**	840,383	(11,483)
Other Industries	**344,157**	**26,593**	376,445	34,218
O&M	**1,338,318**	**57,325**	1,330,501	43,294
ICI	**763,848**	**281,551**	565,125	156,923
	$ 7,913,158	**185,615**	$ 8,090,960	420,932
Reversal of item included above:				
Imputed interest benefit		**(37,341)**		(53,345)
Net financial expenses from ICI		**131,186**		112,481
Income taxes from ICI		**72,006**		18,556
Non-controlling interests before income taxes		**769**		904
Income before restructuring costs and goodwill impairment, net financial expenses and income taxes		**352,235**		499,528
Restructuring costs and goodwill impairment (Note 25) [5]		**123,464**		–
Net financial expenses (Note 26)		**150,679**		126,162
Income before income taxes		**78,092**		373,366
Income taxes (Note 28)		**41,708**		67,024
Net income		**$ 36,384**		$ 306,342
Net income attributable to:				
SNC-Lavalin shareholders		**$ 35,768**		$ 305,927
Non-controlling interests		**616**		415
Net income		**$ 36,384**		$ 306,342

(1) See Note 2C for explanations relating to comparative figures.

(2) In 2013, the operating loss of $286.5 million is mainly due to: i) unfavourable cost reforecasts on certain unprofitable legacy fixed-price contracts, particularly in the hospital and road sectors, ii) a risk provision for $47.0 million recorded by the Company following an unexpected attempt to draw this amount under letters of credit previously issued in favour of a client on a Libyan project, as well as iii) approximately $32 million from additional costs on a major hospital project.

(3) In 2013, there were unfavourable cost reforecasts on certain major projects, with an adverse impact of $67.2 million on gross margin (2012: one major project with an adverse impact of $110.9 million on gross margin).

(4) In 2013, the operating loss of $68.1 million results mainly from an unfavourable cost reforecast and from a loss of $70.1 million relating to a confirmation of claim received alleging late penalties, both for a legacy fixed-price project in Algeria.

(5) Goodwill impairment for the "Services and Packages-Europe" and "Services and Packages-Brazil" cash-generating units related to the Infrastructure & Environment, Power, Oil & Gas and Other Industries reportable segments. The operating income (loss) by reportable segment presented above excludes the amount of restructuring costs and goodwill impairment.

4. SEGMENT DISCLOSURES (CONTINUED)

The Company also discloses in the table below under "Supplementary Information" its dividends from 407 International Inc. ("Highway 407"), its net income from AltaLink, its net income from other ICI and its net income excluding ICI, as this information is useful in assessing the value of the Company's share price.

YEAR ENDED DECEMBER 31	2013	2012 (1)
Supplementary information:		
Net income attributable to SNC-Lavalin shareholders from ICI:		
From Highway 407	**$ 114,065**	$ 100,645
From AltaLink	**91,779**	54,441
From other ICI:		
From a net gain on partial disposal of Astoria II (Note 5A)	**36,169**	–
Excluding the net gain on partial disposal of Astoria II (2)	**39,538**	1,837
Net income (loss) attributable to SNC-Lavalin shareholders excluding ICI	**(245,783)**	149,004
Net income attributable to SNC-Lavalin shareholders	**$ 35,768**	$ 305,927

(1) See Note 2C for explanations relating to comparative figures.

(2) For the year ended December 31, 2013, uncertainties on dividend collection from one of the Company's ICI accounted for by the equity method were resolved, positively impacting net income from other ICI.

As previously stated, the segment performance, except for the ICI segment, takes into account imputed interest calculated on non-cash working capital position. As such, the table below reconciles the Company's consolidated total assets to the sum of i) total assets from ICI; ii) the non-cash working capital (deficit) of segments excluding ICI; and iii) other assets excluding ICI:

	DECEMBER 31 2013	DECEMBER 31 2012
Total assets from ICI (Note 5):		
ICI accounted for by the full consolidation method	**$ 6,290,641**	$ 4,410,998
ICI accounted for by the equity method	**448,677**	373,445
ICI accounted for by the cost method	**426,868**	338,963
Total assets from ICI	**7,166,186**	5,123,406
Segment non-cash working capital (deficit) excluding ICI		
Services and Packages		
Infrastructure & Environment	**(199,521)**	(23,607)
Power	**(430,610)**	(559,794)
Mining & Metallurgy	**(19,385)**	81,251
Oil & Gas (Previously Hydrocarbons & Chemicals)	**252,004**	148,123
Other Industries	**(11,974)**	(77,342)
O&M	**(157,124)**	(153,174)
Total segment non-cash working deficit excluding ICI	**(566,610)**	(584,543)
Reversal of current liabilities included in the non-cash working deficit above	**3,128,925**	2,995,090
Current assets excluding ICI, excluding cash and cash equivalents, and restricted cash	**2,562,315**	2,410,547
Other assets excluding ICI:		
Cash and cash equivalents, and restricted cash excluding ICI	**1,135,050**	1,187,655
Property and equipment, goodwill, other non-current financial assets and other non-current assets excluding ICI	**909,074**	889,312
Total assets excluding ICI	**4,606,439**	4,487,514
Total assets	**$ 11,772,625**	$ 9,610,920

4. SEGMENT DISCLOSURES (CONTINUED)

The following table presents property, equipment, goodwill and intangible assets inside and outside Canada reflected on the Company's consolidated statements of financial position:

	DECEMBER 31 2013	DECEMBER 31 2012
Property, equipment, goodwill and intangible assets		
Canada:		
From ICI	**$ 5,562,499**	$ 3,847,718
Excluding ICI	**310,344**	323,926
	5,872,843	4,171,644
Outside Canada:		
From ICI	**29,339**	15,383
Excluding ICI	**246,050**	304,602
	275,389	319,985
	$ 6,148,232	$ 4,491,629

The following table presents revenues by geographic area according to project location:

YEAR ENDED DECEMBER 31	2013			
Revenues by geographic area (1)	SERVICES AND PACKAGES	O&M	ICI	TOTAL
Canada	**$ 3,365,354**	**$ 1,128,719**	**$ 708,131**	**$ 5,202,204**
Latin America	**768,826**	**48,722**	**–**	**817,548**
Europe	**581,783**	**49,890**	**2,458**	**634,131**
United States	**367,328**	**1,440**	**11,136**	**379,904**
Middle East	**323,100**	**16,020**	**–**	**339,120**
Africa	**260,335**	**93,527**	**42,123**	**395,985**
Asia Pacific	**125,457**	**–**	**–**	**125,457**
Other Regions	**18,809**	**–**	**–**	**18,809**
	$ 5,810,992	**$ 1,338,318**	**$ 763,848**	**$ 7,913,158**

YEAR ENDED DECEMBER 31	2012			
Revenues by geographic area (1)	SERVICES AND PACKAGES	O&M	ICI	TOTAL
Canada	$ 3,314,802	$ 1,133,480	$ 560,924	$ 5,009,206
Latin America	786,257	27,311	–	813,568
Europe	645,289	50,980	2,103	698,372
United States	301,546	677	2,058	304,281
Middle East	354,922	7,665	–	362,587
Africa	539,932	109,772	40	649,744
Asia Pacific	212,499	616	–	213,115
Other Regions	40,087	–	–	40,087
	$ 6,195,334	$ 1,330,501	$ 565,125	$ 8,090,960

(1) Other than Canada, there is no a country where the Company derived more than 10% of its revenues in either 2013 or 2012.

5. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")

SNC-Lavalin makes investments in infrastructure concessions for public services, such as airports, bridges, cultural and public service buildings, highways, mass transit systems, power and water treatment facilities.

In accordance with IFRS, SNC-Lavalin's infrastructure concession investments are accounted for as follows:

Accounting method

TYPE OF INFLUENCE	ACCOUNTING METHOD
Non-significant influence	Cost method
Significant influence	Equity method
Joint control	Equity method
Control	Full consolidation method

Accounting model

TYPE OF CONCESSION	ACCOUNTING MODEL
ICI accounted for under IFRIC 12	Financial asset model when concessionaire bears no demand risk
	Intangible asset model when concessionaire bears demand risk
	Bifurcated model when concessionaire and grantor share demand risk
ICI outside the scope of application of IFRIC 12	Model based on specific facts and circumstances, but usually with infrastructure asset accounted for as property and equipment

The main concessions and public-private partnerships contracts reported under IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12") are all accounted for under the financial asset model, except the Rayalseema Expressway Private Limited ("REPL") concession, which is accounted for under the intangible asset model, and the Société d'Exploitation de l'Aéroport de Mayotte S.A.S. concession, which is accounted for under the bifurcated model.

In order to provide the reader of the financial statements with a better understanding of the financial position and results of operations of its ICI, the Company presents certain distinct financial information related specifically to its ICI throughout its financial statements, as well as additional information below.

A) ADDITIONS OF ICI AND DECREASED OWNERSHIP INTEREST IN ICI

I) IN 2013

RIDEAU TRANSIT GROUP PARTNERSHIP

In February 2013, the Company announced that the Rideau Transit Group Partnership, a consortium of which SNC-Lavalin is a partner at 40%, has finalized an agreement with the City of Ottawa to design, build, finance and maintain the Confederation Line, the city's first-ever light rail transit system. The Rideau Transit Group Partnership will be responsible for the construction of 12.5 km of guideway, 10 above-ground stations, three underground stations and a 2.5-km tunnel beneath the downtown core. The consortium will also widen a portion of Highway 417, supply the light rail transit vehicles, build a maintenance and storage facility, and provide ongoing maintenance of the system for a 30-year period. The Company committed to invest in this ICI an amount of $30 million in equity.

SNC-Lavalin's investment in the Rideau Transit Group Partnership is accounted for by the equity method.

ASTORIA PROJECT PARTNER II LLC ("ASTORIA II")

In December 2013, SNC-Lavalin announced that it has reached financial close on the sale of 66% of its ownership interest in Astoria II, the owner of the legal entity that owns and operates the Astoria II power plant in New York City, for an agreed price of US$82.4 million (CA$87.6 million), resulting in net cash proceeds of $86.3 million after certain adjustments. Prior to financial close, SNC-Lavalin had an 18.5% ownership interest in Astoria II. The Company accounts for the remaining ownership interest of 6.2% as an available-for-sale financial asset. This transaction resulted in the recognition of a gain before taxes of $73.0 million (gain net of taxes of $36.2 million) in the consolidated income statement from the partial disposal of this ICI, including the gain on remeasurement at fair value of the Company's remaining ownership interest upon the loss of significant influence on this ICI.

5. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

II) IN 2012

407 EAST DEVELOPMENT GROUP GENERAL PARTNERSHIP

In May 2012, the Company announced that 407 East Development Group General Partnership, 50%-owned by SNC-Lavalin, was awarded a contract by the Province of Ontario, in Canada, to design, build, finance, and maintain Phase 1 of the new highway 407 East, which will add 32 km to the existing highway.

The 407 East Development Group General Partnership subcontracted the design and build as well as the operation and maintenance portions to two partnerships 50%-owned by SNC-Lavalin. Once construction is completed, the 407 East Development Group General Partnership will maintain and rehabilitate the road until 2045. The Company committed to invest in this ICI an amount of $15.9 million in equity.

SNC-Lavalin's investment in the 407 East Development Group General Partnership is accounted for by the equity method.

PIRAMAL ROADS INFRA PRIVATE LIMITED

In June 2012, the Company acquired from India Infrastructure Fund an equivalent to 10% of the issued and paid up capital of Piramal Roads Infra Private Limited, an entity that engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure, in the roads sector of India, for a total cash consideration of approximately $10 million.

SNC-Lavalin's investment in Piramal Roads Infra Private Limited is accounted for by the cost method.

B) NET BOOK VALUE AND DESCRIPTIONS OF ICI

The Company's consolidated statement of financial position includes the following assets and liabilities from its ICI:

	DECEMBER 31 2013	DECEMBER 31 2012
Cash and cash equivalents	**$ 17,775**	$ 17,606
Restricted cash	**10,485**	2,454
Trade receivable, other current financial assets and other current assets	**190,140**	175,807
Property and equipment (1)	**5,132,027**	3,469,990
Goodwill	**203,786**	203,786
Non-current portion of receivables under service concession arrangements and non-current financial assets	**477,702**	348,961
Other non-current assets and deferred income tax asset	**258,726**	192,394
Total assets	**6,290,641**	4,410,998
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	**491,484**	300,060
Non-recourse short-term debt and current portion of non-recourse long-term debt	**277,392**	484,575
Non-recourse long-term debt	**3,536,912**	2,000,696
Other non-current financial liabilities	**113,662**	76,539
Provisions and other non-current liabilities	**738,841**	596,757
Total liabilities	**5,158,291**	3,458,627
Net assets from ICI accounted for by the full consolidation method (2)	**$ 1,132,350**	$ 952,371
Net book value of ICI accounted for by the equity method (3)	**$ 448,677**	$ 373,445
Net book value of ICI accounted for by the cost method	**426,868**	338,963
Total net book value of ICI	**$ 2,007,895**	$ 1,664,779

(1) The increase of property and equipment from ICI from December 31, 2012 to December 31, 2013 is due to AltaLink's acquisition of property and equipment for a total cash outflow of $1,545.9 million for the year ended December 31, 2013.

(2) The net assets related to AltaLink totalled $1,019.5 million as at December 31, 2013 (2012: $820.4 million).

(3) Includes the Company's investment in Highway 407, for which the net book value was $nil as at December 31, 2013 and 2012.

5. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

I) ICI ACCOUNTED FOR BY THE FULL CONSOLIDATION METHOD

SNC-Lavalin's main ICI accounted for by the full consolidation method are detailed below:

					OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	**DECEMBER 31 2013**	DECEMBER 31 2012
AltaLink [1]	Rate-regulated transmission lines and substations	No	N/A	Canada	**100.0%**	100.0%
Ovation Real Estate Group (Quebec) Inc. ("Ovation")	2,100-seat acoustic concert hall under a 29-year concession agreement	Yes	2038	Canada	**100.0%**	100.0%
Okanagan Lake Concession Limited Partnership ("Okanagan Lake Concession")	1.1-km William R. Bennett Bridge under a 30-year concession agreement	Yes	2035	Canada	**100.0%**	100.0%
Rainbow Hospital Partnership ("Rainbow")	Restigouche Hospital Center for psychiatric care (under construction)	Yes	2044	Canada	**100.0%**	100.0%
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.	Mayotte airport under a 15-year concession agreement (under construction)	Yes	2026	France	**100.0%**	100.0%

[1] AltaLink, L.P. ("ALP") is the owner and operator of transmission lines and substations subject to rate regulation. AltaLink Investments, L.P. ("AILP") is the sole limited partner of ALP. The sole limited partner of AILP is AltaLink Holdings, L.P., ("AHLP"). The limited partners of AHLP are subsidiaries of SNC-Lavalin. AILP, AHLP, ALP and all other related holding entities held by the Company are referred to as "AltaLink".

N/A: not applicable

5. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

II) ICI ACCOUNTED FOR BY THE EQUITY METHOD

SNC-Lavalin's main ICI accounted for by the equity method are listed below:

					OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	SUBJECT TO IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	**DECEMBER 31 2013**	DECEMBER 31 2012
Joint ventures:						
407 East Development Group General Partnership ("407 EDGGP")	32-km toll Highway 407 East (under construction)	Yes	2045	Canada	**50.0%**	50.0%
407 International Inc.[1] ("Highway 407")	108-km toll highway under a 99-year concession agreement	No	2098	Canada	**16.77%**	16.77%
Chinook Roads Partnership ("Chinook")	25-km of six-lane road	Yes	2043	Canada	**50.0%**	50.0%
Groupe Immobilier Santé McGill [2] ("MIHG")	McGill University Health Centre – Glen Campus under a 34-year concession agreement (under construction)	Yes	2044	Canada	**60.0%**	60.0%
Rideau Transit Group Partnership ("Rideau")	The Confederation Line, City of Ottawa's light rail transit system (under construction)	Yes	2043	Canada	**40.0%**	–
TC Dôme S.A.S.[2] ("TC Dôme")	5.3-km electric cog railway	Yes	2043	France	**51.0%**	51.0%
Associates:						
Astoria Project Partners LLC	500 MW natural-gas power plant	No	N/A	U.S.A.	**21.0%**	21.0%
Astoria Project Partners II LLC [3]	550 MW natural-gas power plant	No	N/A	U.S.A.	**See [3]**	18.5%
InTransit BC Limited Partnership ("InTransit BC")	19-km rapid transit line	Yes	2040	Canada	**33.3%**	33.3%
Malta International Airport p.l.c.[4]	65-year concession agreement to operate the Malta airport	No	2067	Malta	**15.5%**	15.5%
Myah Tipaza S.p.A.	Seawater desalination plant to supply treated water under a 25-year take-or-pay agreement	No	N/A	Algeria	**25.5%**	25.5%
Rayalseema Expressway Private Limited ("REPL")	30-year concession agreement to build and operate a 189-km toll highway section (under construction)	Yes	2040	India	**36.9%**	36.9%
Société d'Exploitation de Vatry Europort S.A.[2]	20-year concession agreement to operate the Vatry airport	No	2020	France	**–**	51.1%
Shariket Kahraba Hadjret En Nouss S.p.A.	1,227 MW gas-fired thermal power plant supplying electricity under a 20-year take-or-pay agreement	No	N/A	Algeria	**26.0%**	26.0%

(1) Although the Company holds less than 20% of the equity shares of Highway 407, the Company exercises joint control over this entity based on its contractual agreements.

(2) Although the Company's ownership interest in MIHG and TC Dôme (and Société d'Exploitation de Vatry Europort S.A. in 2012) is more than 50%, the Company does not exercise control over these entities based on its contractual agreements.

(3) Although the Company's ownership interest in Astoria II was less than 20% as at December 31, 2012, it was classified as "ICI accounted for by the equity method" since the Company exercised significant influence over this entity based on its contractual agreements. Following the partial disposal of this ICI in 2013 (see Note 5A), the Company's remaining ownership interest in Astoria II of 6.2% was reclassified from "ICI accounted for by the equity method" to "ICI accounted for by the cost method".

(4) Although the Company's ownership interest in Malta International Airport p.l.c. is less than 20%, the Company exercises significant influence over this entity based on its contractual agreements.

N/A: not applicable

5. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

ICI accounted for by the equity method – joint ventures

SNC-Lavalin carries out part of its ICI activity through joint ventures which are accounted for by the equity method. The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenues and expenses related to such joint ventures are summarized below:

YEAR ENDED DECEMBER 31	2013	2012
Income statements		
Revenues (at 100%)	**$ 2,118,328**	$ 1,523,777
Interest income (at 100%)	**$ 11,298**	$ 13,928
Interest expense (at 100%)	**$ 383,476**	$ 393,845
Depreciation and amortization (at 100%)	**$ 67,207**	$ 60,650
Income tax expense (at 100%)	**$ 88,823**	$ 70,158

YEAR ENDED DECEMBER 31	2013	2012
Statements of comprehensive income		
Net income (at 100%)	**$ 264,269**	$ 179,707
Other comprehensive income (at 100%)	**5,617**	77
Total comprehensive income (at 100%)	**$ 269,886**	$ 179,784

YEAR ENDED DECEMBER 31	2013	2012
Company's share of net income of ICI based on its ownership interest (1)	**$ 50,369**	$ 32,555
Company's net income from ICI included in its income statement (1)	**$ 121,476**	$ 103,943

	DECEMBER 31 2013	DECEMBER 31 2012
Statements of financial position		
Cash and cash equivalents (at 100%)	**$ 427,420**	$ 265,716
Other current assets (at 100%)	**1,076,865**	888,182
Non-current assets (at 100%)	**6,130,230**	5,912,096
Total assets (at 100%)	**7,634,515**	7,065,994
Trade payables (at 100%)	**98,770**	78,650
Other current financial liabilities (at 100%)	**830,317**	174,199
Other current liabilities (at 100%)	**3,941**	4,370
Other non-current financial liabilities (at 100%)	**7,918,463**	7,674,745
Other non-current liabilities (at 100%)	**419,427**	392,277
Total liabilities (at 100%)	**9,270,918**	8,324,241
Net liabilities (at 100%)	**$ (1,636,403)**	$(1,258,247)
Company's carrying value of ICI included in its statement of financial position (1)	**$ 186,030**	$ 145,328

(1) Under the equity method of accounting, distributions from a joint venture reduce the carrying amount of the investment. The equity method of accounting requires the Company to stop recognizing its share of the losses of a joint venture when the recognition of such losses results in a negative balance for its investment, or where dividends payable by the joint venture are in excess of the carrying amount of the investment. In these events, the carrying value of the investment is reduced to $nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. In these situations, the Company no longer recognizes its share of net income of ICI based on its ownership, but rather recognizes the excess amount of dividends payable by a joint venture in its net income.

As a result, the Company recognized in its income statement dividends from Highway 407 of $114.1 million in 2013 (2012: $100.6 million) and did not recognize its share of Highway 407's net income of $41.7 million (2012: $29.3 million) in the same period, as the carrying amount of its investment in Highway 407 was $nil at December 31, 2013 and 2012. The negative carrying value of the Company's investment in Highway 407, which is not recognized on the Company's statement of financial position, amounted to $284.2 million as at December 31, 2013 (2012: $211.7 million).

5. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

ICI accounted for by the equity method - associates

The summary table below provides supplementary information in respect of the Company's ICI that are associates:

YEAR ENDED DECEMBER 31	2013	2012
Revenues (at 100%)	$ 856,349	$ 728,701
Expenses (at 100%)	690,107	634,617
Net income (at 100%)	166,242	94,084
Other comprehensive income (loss) (at 100%)	144,155	(15,844)
Total comprehensive income (at 100%)	$ 310,397	$ 78,240
Company's share of net income of ICI based on its ownership interest	$ 41,740	$ 27,110
Company's share of net income from ICI included in its income statement [1]	$ 62,454	$ 10,510

[1] Uncertainties on dividend collection from one of the Company's ICI accounted for by the equity method in 2012 negatively impacted the Company's share of net income from ICI included in its income statement, such uncertainties were resolved in 2013, positively impacting the Company's share of net income from ICI included in its income statement.

	DECEMBER 31 2013	DECEMBER 31 2012
Current assets (at 100%)	$ 599,984	$ 622,803
Non-current assets (at 100%)	2,431,485	3,631,498
Total assets (at 100%)	3,031,469	4,254,301
Current liabilities (at 100%)	186,283	291,421
Non-current liabilities (at 100%)	1,998,397	3,244,823
Total liabilities (at 100%)	2,184,680	3,536,244
Net assets (at 100%)	$ 846,789	$ 718,057
Company's carrying value of ICI included in its statement of financial position	$ 262,647	$ 228,117

III) ICI ACCOUNTED FOR BY THE COST METHOD

SNC-Lavalin's main ICI accounted for by the cost method are listed below:

				OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	DECEMBER 31 2013	DECEMBER 31 2012
Astoria Project Partners II LLC [2]	550 MW natural-gas power plant	N/A	U.S.A.	6.2%	See [2]
Ambatovy Nickel Project ("Ambatovy")	Open-pit mine and hydrometallurgical processing plant	N/A	Madagascar	5.0%	5.0%
Piramal Roads Infra Private Limited	Engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure in the roads sector of India	N/A	India	10.0%	10.0%

[2] As at December 31, 2012, the Company's ownership interest in Astoria II was classified as "ICI accounted for by the equity method". Following the partial disposal of this ICI in 2013 (see Note 5A), the Company's remaining ownership interest in Astoria II of 6.2% was reclassified to "ICI accounted for by the cost method".

N/A: not applicable

For the years ended December 31, 2013 and 2012, the Company's consolidated income includes revenues of $nil from these investments.

5. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”) (CONTINUED)

C) PAYMENTS AND REMAINING COMMITMENTS IN ICI

When making investments in infrastructure concessions, SNC-Lavalin may not be required to make its contribution immediately but instead may commit to make its contribution over time.

The following table summarizes SNC-Lavalin’s payments and outstanding commitments to invest in ICI accounted for by the equity or cost methods as at December 31, 2013 and 2012:

	2013	2012
Commitments to invest in ICI – January 1	$ 154,744	$ 159,078
Increase in commitments to invest in ICI	76,118	59,721
Payments for ICI during the year	(43,632)	(64,055)
Commitments to invest in ICI – December 31	$ 187,230	$ 154,744

At December 31, 2013, the commitments to invest in ICI were related to contributions for Ambatovy, MIHG, Rideau and 407 EDGGP (2012: Ambatovy, Chinook, MIHG and 407 EDGGP) and were presented as “Other current financial liabilities” since they are either expected to be paid in the following year or are callable on demand.

In addition to the commitments presented above, SNC-Lavalin provides a US$105 million financial guarantee (December 31, 2012: US$105 million) and a US$70 million cross-guarantee (December 31, 2012: US$70 million) to the Ambatovy project’s lenders. The amount recognized on the Company’s statement of financial position does not correspond to the US$175 million nominal value of the guarantees, but rather to the amount resulting from the initial fair value (approximately $9 million) of the guarantees less the cumulative depreciation based on the duration of the guarantees. The amount of US$175 million represents the maximum that could be paid if both the financial guarantee and cross-guarantee were called upon once the project debt financing is fully drawn. Both guarantees will remain outstanding until certain legal, financial and operating conditions are satisfied upon completion of construction and commissioning of the project (the “Completion Date”) and could be called by the lenders if such conditions are not met by the Completion Date. In July 2013, lenders to the Ambatovy project agreed to extend the Completion Date from September 2013 to September 2015.

In addition, SNC-Lavalin financed a portion of the contribution of one of Ambatovy’s shareholders, which is also the project operator (“Project Operator”), for US$57.3 million as at December 31, 2013 and 2012 (December 31, 2013: CA$60.9 million; and December 31, 2012: CA$57.0 million), such amount, along with accrued interest, being presented in “ICI accounted for by the cost method”.

6. ACQUISITION OF BUSINESSES AND FORMATION OF A NEW JOINT VENTURE

A) BUSINESSES ACQUIRED

In 2013, SNC-Lavalin had no business acquisitions.

In 2012, SNC-Lavalin completed the following business acquisition, which added approximately 100 people to its workforce:

In June 2012, DBA Engineering, an Ontario-based engineering firm specializing in material and pavement engineering, and geotechnical and geo-environment studies. DBA Engineering had approximately 100 employees at offices in Toronto, Kingston, Cambridge and Trenton, and provides services to both public and private sector clients.

This business acquisition had no significant impact on SNC-Lavalin financial position at the date of acquisition and on its 2012 results.

B) ALLOCATION OF PURCHASE PRICE

The acquisition have been accounted for using the acquisition method and consolidated from the effective date of acquisition. The business acquisition completed by SNC-Lavalin in 2012 was for 100% of the voting shares.

The purchase price for the business acquisition that occurred during the year ended December 31, 2012 was not significant and cash consideration paid for acquisition of businesses presented on the consolidated statements of cash flows was $1.9 million in 2013 (2012: $17.8 million) and related mainly to the acquisitions from previous years paid in 2013 and 2012, respectively.

C) GOODWILL ARISING ON THE BUSINESS ACQUISITION

Goodwill arose in the business combination because the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

D) BUSINESS ACQUISITION COSTS

For the year ended December 31, 2012, business acquisition costs of $0.1 million related to the transaction described above and were included in the selling, general and administrative expenses in the consolidated income statement.

E) FORMATION OF A NEW JOINT VENTURE

In June 2012, SNC-Lavalin International Inc. and Zuhair Fayez Engineering Consultancies Company, also known as SNC-Lavalin Fayez Engineering ("SLFE"), an engineering consultancy joint venture between SNC-Lavalin and its partners in Saudi Arabia, acquired the industrial division of Zuhair Fayez Partnership. SNC-Lavalin holds an ownership interest of 50% in SLFE and will receive 35% of the distributions from SLFE during the first ten years and it will receive 50% of the distributions thereafter. SLFE was formed partly in response to Saudi Aramco's General Engineering Services Plus ("GES+") initiative, which aims to develop engineering capabilities in the Kingdom of Saudi Arabia. SNC-Lavalin invested $40.3 million in SLFE in June 2012.

SNC-Lavalin's investment in SLFE is accounted for by the equity method.

7. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A) CASH AND CASH EQUIVALENTS

	DECEMBER 31 2013	DECEMBER 31 2012
Bank balances, bank term deposits and bankers' acceptances	**$ 1,108,694**	$ 1,174,900
Cash and cash equivalents	**$ 1,108,694**	$ 1,174,900

B) RESTRICTED CASH

	DECEMBER 31 2013	DECEMBER 31 2012
Bank balances, bank term deposits and bankers' acceptances	**$ 65,426**	$ 39,078
Restricted cash – current and non-current	**$ 65,426**	$ 39,078
Presented on the statement of financial position as follows:		
Current assets – "Restricted cash"	**$ 54,616**	$ 32,815
Non-current assets – included in "Non-current financial assets" (Note 13)	**$ 10,810**	$ 6,263

8. TRADE RECEIVABLES

The following table presents the Company's trade receivables that are within normal terms of payment separately from those that are past due, with reconciliation to the net carrying amount:

	DECEMBER 31 2013	DECEMBER 31 2012
Trade receivables:		
Within normal terms of payment	**$ 833,671**	$ 901,478
Past due	**424,050**	393,134
Total trade receivables	**1,257,721**	1,294,612
Allowance for doubtful accounts	**(151,361)**	(119,460)
Trade receivables, net of allowance for doubtful accounts	**$ 1,106,360**	$ 1,175,152

The allowance for doubtful accounts is established based on SNC-Lavalin's best estimates on the recovery of balances for which collection may be uncertain. Uncertainty of collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client or delay in collection when the aging of invoices exceeds the normal payment terms. Management regularly reviews trade receivables and assesses the appropriateness of the allowance for doubtful accounts.

The change in the allowance for doubtful accounts is detailed below:

YEAR ENDED DECEMBER 31	2013	2012
Balance at beginning of year	**$ 119,460**	$ 113,935
Change in allowance, other than write-offs and recoveries	**54,856**	41,503
Write-offs of trade receivables	**(9,165)**	(13,966)
Recoveries	**(13,790)**	(22,012)
Balance at end of year	**$ 151,361**	$ 119,460

9. OTHER CURRENT FINANCIAL ASSETS

	DECEMBER 31 2013	DECEMBER 31 2012
Retentions on client contracts	**$ 487,491**	$ 248,741
Advances to suppliers, subcontractors and employees and deposits on contracts	**112,956**	65,037
Derivative financial instruments used for cash flow hedges – favourable fair value	**2,538**	10,396
Cash-settled share-based payment arrangement asset (Note 22C)	**65,083**	44,278
Current portion of receivables under service concession arrangements	**22,543**	9,215
Short-term investments	**28,863**	–
Other	**41,339**	51,153
Other current financial assets	**$ 760,813**	$ 428,820

10. OTHER CURRENT ASSETS

	DECEMBER 31 2013	DECEMBER 31 2012
Income taxes and other taxes receivable	**$ 193,304**	$ 171,034
Prepaid expenses and other	**45,959**	46,785
Other current assets	**$ 239,263**	$ 217,819

11. PROPERTY AND EQUIPMENT

A) PROPERTY AND EQUIPMENT FROM ICI

	PROPERTY AND EQUIPMENT OF ALTALINK
Gross carrying amount	
Balance as at January 1, 2013	**$ 3,719,237**
Additions	**1,771,133**
Balance as at December 31, 2013	**$ 5,490,370**
Accumulated depreciation	
Balance as at January 1, 2013	**249,247**
Depreciation expense	**109,096**
Balance as at December 31, 2013	**$ 358,343**

	PROPERTY AND EQUIPMENT OF ALTALINK
Gross carrying amount	
Balance as at January 1, 2012	$ 2,798,199
Additions	921,038
Balance as at December 31, 2012	$ 3,719,237
Accumulated depreciation	
Balance as at January 1, 2012	160,464
Depreciation expense	88,783
Balance as at December 31, 2012	$ 249,247

Net book value:	
As at December 31, 2012	$ 3,469,990
As at December 31, 2013	**$ 5,132,027**

An amount of $1,605.5 million as at December 31, 2013 (2012: $1,120.4 million) of property and equipment from ICI was not being depreciated as the corresponding assets are mainly transmission assets of AltaLink under construction.

AltaLink has contractual commitments to acquire property and equipment from third parties totalling $253.3 million as at December 31, 2013 (2012: $1.2 million).

AltaLink calculates depreciation on a straight-line basis and has used depreciation rates ranging from 1.65% to 21.94% in 2013 (2012: 2.48% to 21.67%).

11. PROPERTY AND EQUIPMENT (CONTINUED)

B) PROPERTY AND EQUIPMENT EXCLUDING ICI

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	OTHER	TOTAL
Gross carrying amount					
Balance as at January 1, 2013	**$ 84,563**	**$ 306,222**	**$ 138,148**	**$ 102,064**	**$ 630,997**
Additions	**2,937**	**31,969**	**9,228**	**10,612**	**54,746**
Effect of foreign currency exchange differences	**763**	**831**	**672**	**1,060**	**3,326**
Disposals / retirements / salvage	**–**	**(22,214)**	**(9,479)**	**(3,481)**	**(35,174)**
Balance as at December 31, 2013	**$ 88,263**	**$ 316,808**	**$ 138,569**	**$ 110,255**	**$ 653,895**
Accumulated depreciation					
Balance as at January 1, 2013	**32,830**	**261,794**	**92,718**	**50,558**	**437,900**
Depreciation expense	**4,228**	**37,584**	**12,766**	**10,733**	**65,311**
Effect of foreign currency exchange differences	**(12)**	**635**	**530**	**305**	**1,458**
Disposals / retirements / salvage	**–**	**(21,388)**	**(7,650)**	**(2,104)**	**(31,142)**
Balance as at December 31, 2013	**$ 37,046**	**$ 278,625**	**$ 98,364**	**$ 59,492**	**$ 473,527**

	BUILDINGS	COMPUTER EQUIPMENT	OFFICE FURNITURE	OTHER	TOTAL
Gross carrying amount					
Balance as at January 1, 2012	$ 77,878	$ 269,317	$ 125,495	$ 77,966	$ 550,656
Additions	7,006	44,457	19,026	25,862	96,351
Effect of foreign currency exchange differences	83	(2,613)	(745)	(452)	(3,727)
Disposals / retirements / salvage	(404)	(4,939)	(5,628)	(1,312)	(12,283)
Balance as at December 31, 2012	$ 84,563	$ 306,222	$ 138,148	$ 102,064	$ 630,997
Accumulated depreciation					
Balance as at January 1, 2012	29,553	233,350	84,988	42,882	390,773
Depreciation expense	3,555	35,261	11,917	8,874	59,607
Effect of foreign currency exchange differences	(20)	(2,415)	(405)	(365)	(3,205)
Disposals / retirements / salvage	(258)	(4,402)	(3,782)	(833)	(9,275)
Balance as at December 31, 2012	$ 32,830	$ 261,794	$ 92,718	$ 50,558	$ 437,900
Net book value:					
As at December 31, 2012	$ 51,733	$ 44,428	$ 45,430	$ 51,506	$ 193,097
As at December 31, 2013	**$ 51,217**	**$ 38,183**	**$ 40,205**	**$ 50,763**	**$ 180,368**

12. GOODWILL

The following table details a reconciliation of the carrying amount of the Company's goodwill:

		EXCLUDING ICI		
	ICI	SERVICES AND PACKAGES	O&M	TOTAL
Balance at January 1, 2012	$ 203,786	$ 410,514	$ 25,171	$ 639,471
Goodwill arising from acquisitions completed in the year	–	3,297	–	3,297
Net foreign currency exchange differences and other	–	(6,907)	(86)	(6,993)
Balance at December 31, 2012	203,786	406,904	25,085	635,775
Net foreign currency exchange differences	**–**	**(2,346)**	**–**	**(2,346)**
Goodwill impairment loss recognized in the year (Note 25)	**–**	**(56,500)**	**–**	**(56,500)**
Balance at December 31, 2013	**$ 203,786**	**$ 348,058**	**$ 25,085**	**$ 576,929**

For the purpose of annual impairment testing, goodwill is allocated to CGU or groups of CGU, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

As at December 31, 2013 and 2012, the Company's goodwill was allocated to the following CGU and groups of CGU:

CGU OR GROUP OF CGU	**DECEMBER 31 2013**	DECEMBER 31 2012
AltaLink	**$ 203,786**	$ 203,786
Services and Packages - Europe	**94,732**	139,463
Services and Packages - Brazil	**55,740**	68,773
Services and Packages - Other	**197,586**	198,668
O&M	**25,085**	25,085
	$ 576,929	$ 635,775

In the third quarter of 2013, the Company performed an impairment test on its goodwill allocated to the "Services and Packages – Europe" since there were indications that it may be impaired (see Note 25). As at October 31, 2013, date of the last impairment test, goodwill allocated to "Services and Packages – Brazil" was impaired (see Note 25). As at October 31, 2012, goodwill was not considered to be impaired.

13. NON-CURRENT FINANCIAL ASSETS

	DECEMBER 31 2013	DECEMBER 31 2012
From ICI		
Third party deposits of AltaLink	**$ 107,565**	$ 51,991
Restricted cash	**10,810**	6,263
Other	**58,569**	31,783
	176,944	90,037
Excluding ICI	**24,332**	30,175
Non-current financial assets	**$ 201,276**	$ 120,212

For certain projects, third parties of AltaLink contribute their share of capital project costs in advance of construction and provide advance funding for future operating and maintenance costs of assets constructed with third party-contributed funds. These third party deposits of AltaLink are recognized as non-current financial assets with corresponding other non-current financial liabilities (see Note 19).

14. OTHER NON-CURRENT ASSETS

	DECEMBER 31 2013	DECEMBER 31 2012
From ICI		
Intangible assets of AltaLink	**$ 226,686**	$ 173,942
Other	**31,459**	17,570
	258,145	191,512
Excluding ICI	**77,391**	57,352
Other non-current assets	**$ 335,536**	$ 248,864

14. OTHER NON-CURRENT ASSETS (CONTINUED)

Intangible assets of AltaLink include mainly land rights. The amortization rate applied to land rights was 2.10% for the year ended December 31, 2013 (2012: 2.13%), while the amortization rates applied by AltaLink to its other intangible assets ranged from 27.92% to 30.41% (2012: from 11.80% to 28.33%). Intangible assets included in construction work in progress are not amortized until they are available for use. An amount of $86.7 million as at December 31, 2013 (2012: $73.2 million) of the intangible assets was not being amortized.

15. OTHER CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2013	DECEMBER 31 2012
Commitments to invest in ICI accounted for by the equity and cost methods (Note 5C)	$ 187,230	$ 154,744
Retentions on supplier contracts	206,750	139,941
Balance of purchase price payable relating to acquisition of businesses	2,346	3,566
Derivative financial instruments used for cash flow hedges – unfavourable fair value	14,902	4,058
Other current financial liabilities	$ 411,228	$ 302,309

16. OTHER CURRENT LIABILITIES

	DECEMBER 31 2013	DECEMBER 31 2012
Income taxes and other taxes payable	$ 97,686	$ 118,329
Cash-settled share-based payment arrangement liabilities (Note 22C)	56,208	40,360
Other current liabilities	$ 153,894	$ 158,689

17. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

The Company has the following non-recourse advances under contract financing arrangements, which are secured by the projects' specific assets, at December 31, 2013 and 2012:

	DECEMBER 31 2013	DECEMBER 31 2012
Sainte-Justine University Hospital Centre	$ 746	$ –
Evergreen line rapid transit project	86,442	43,273
Advances under contract financing arrangements	$ 87,188	$ 43,273

SAINTE-JUSTINE UNIVERSITY HOSPITAL CENTRE

In May 2012, SNC-Lavalin announced the financial closure and official signing of the Grandir en santé expansion project of the Sainte-Justine University Hospital Centre. Under the contract, SNC-Lavalin provides engineering, construction and financing to the Sainte-Justine University Hospital Centre. In 2013, the Company entered into a non-recourse $201.0 million credit facility agreement with financial institutions for the financing of this project. Amounts drawn under the revolving credit facility bear interest at a rate for bankers' acceptances plus 1.45% per year. The credit facility matures no later than 2016.

EVERGREEN LINE RAPID TRANSIT PROJECT

In 2012, the Company and a partner were awarded an engineering, procurement and construction ("EPC") contract for the Evergreen Line rapid transit project in the Province of British Columbia, Canada. For the duration of this EPC contract, the Company entered into a non-recourse $225.3 million credit facility agreement with financial institutions to fund the working capital requirements of the project. Amounts drawn under the revolving credit facility bear interest at a fixed rate of 2.7% per year or at a variable rate, which is Canada Interbank Rate plus 1.45%. The credit facility matures no later than 2018.

18. SHORT-TERM DEBT AND LONG-TERM DEBT

A) RECOURSE REVOLVING CREDIT FACILITY

I) IN 2013

In December 2013, the Company entered into an unsecured revolving credit agreement (the "Facility") with a syndicate of financial institutions, totalling $3,500.0 million which it may use for the issuance of performance and financial letters of credit as well as cash draws, subject to a limit of $1,650.0 million applicable to financial letters of credit and cash draws but not to performance letters of credit. Amounts drawn under the Facility bear interest at variable rates plus an applicable margin. The Facility matures in December 2016, with an annual extension option for a one-year period upon lenders' approval.

The Facility is committed and subject to affirmative, negative and financial covenants, including the requirement to maintain at all times, on a rolling 12-month basis, a net recourse debt to adjusted earnings before interest, taxes, depreciation and amortization ratio, as defined in the Facility, not exceeding a certain limit.

If the covenants of the Facility are not met, the lenders may, among others, terminate the right of the Company to use the Facility and demand immediate payment of the whole or part of all indebtedness outstanding under the Facility.

AT DECEMBER 31, 2013	COMMITTED	CASH DRAWS	LETTERS OF CREDIT OUTSTANDING	UNUSED
Credit facility	**$ 3,500,000**	**$ –**	**$1,692,822** [1]	**$ 1,807,178**

[1] Includes $321.7 million of financial letters of credit.

In addition, the Facility contemplates the issuance of bilateral letters of credit on a non-committed basis for a maximum of $2,000.0 million, which are subject to the covenants of the Facility. As at December 31, 2013, $212.1 million was used for the issuance of bilateral letters of credit.

II) IN 2012

As at December 31, 2012, the Company had access to long-term revolving lines of credit with banks, totalling $590.0 million, upon which the Company was able either to issue letters of credit, or borrow at variable rates not exceeding the prime rate. As at December 31, 2012, $123.4 million of these lines of credit remained unused, while the balance of $466.6 million was exclusively used for the issuance of letters of credit. In addition, the Company had other lines of credit specifically available for the issuance of letters of credit. These lines of credit were unsecured and subject to negative pledge clauses.

B) RECOURSE LONG-TERM DEBT

	DECEMBER 31 2013	DECEMBER 31 2012
Recourse (to the general credit of the Company)		
Debentures, 6.19%, due in July 2019 with a face value of $350.0 million repayable in full at maturity	**$ 348,733**	$ 348,545
The 2019 debenture is unsecured and subject to negative pledge clauses.		
Recourse long-term debt	**$ 348,733**	$ 348,545

18. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

C) NON-RECOURSE DEBT FROM ICI (UNSECURED OR SECURED ONLY BY ICI'S SPECIFIC ASSETS)

	DECEMBER 31 2013	DECEMBER 31 2012
AltaLink		
Senior Secured Bonds and Medium Term Notes, 2.98% to 5.38%, due from 2018 to 2053	**$ 2,685,226**	$ 1,791,979
Unsecured Debt, 10.50%, due in 2015, 5.21%, due in 2016, 3.67%, due in 2019, and 3.27%, due in 2020	**638,639**	392,606
Unsecured bank credit facility of $300 million (2012: $300 million) under which AltaLink may borrow in the form of Canadian prime rate loans or bankers' acceptances, maturing in 2018	**17,981**	139,959
Secured bank credit facility of $75 million (2012: $75 million) under which AltaLink may borrow in the form of Canadian prime rate loans or bankers' acceptances, maturing in 2015	**–**	1,778
Unsecured Commercial Paper and secured bank credit facility		
The unsecured commercial paper is supported by a $1,225 million (2012: $1,425 million) secured bank credit facility under which AltaLink may borrow in the form of Canadian prime rate loans or bankers' acceptances, maturing in 2015. At December 31, 2013 and 2012, drawdowns under the bank credit facility were $nil, while the unsecured commercial paper outstanding amounted to $42.5 million as at December 31, 2013 (2012: $nil).	**42,461**	–
Secured credit facility of $350 million (2012: $nil) under which borrowings can be made in the form of Canadian prime rate loans plus 4.5%, maturing at the earliest of: i) December 2014; or ii) the first business day following the disposition or monetization by SNC-Lavalin of its ownership interest in AltaLink, L.P. or any disposition by AltaLink, L.P. of all or substantially all of its assets.	**142,833**	–
The Senior Secured Bonds and Medium Term Notes and secured bank credit facilities are all ranked equally and are secured by a first floating charge security interest on AltaLink, L.P.'s present and future assets.		
The secured credit facility is secured by a security interest on present and future assets of one of the Company's subsidiary holding indirectly an interest in AltaLink Holdings, L.P., including a specific pledge of a portion of one of the Company's subsidiary having an ownership interest in AltaLink Holdings, L.P.		
Other	**–**	144
Okanagan Lake Concession		
5.415% credit facility, due in 2033, secured by all assets of Okanagan Lake Concession, including a pledge by SNC-Lavalin of its units in Okanagan Lake Concession as well as an assignment of the concession's future revenues.	**134,028**	137,775
Société d'Exploitation de l'Aéroport de Mayotte		
Loan in three tranches, maturing from 2014 to 2026, bearing interest at: i) variable rates varying between Euribor 1 month plus 1.25% and Euribor 3 months plus 1.90%; and ii) a fixed rate of 4.91%.	**32,004**	21,030
Rainbow Hospital Partnership		
Short-term bonds, due in 2014 and bearing interest at a fixed rate of 2.636%	**51,239**	–
Long-term bonds, due in 2044 and bearing interest at a fixed rate of 4.994%	**69,893**	–
The short-term bonds and long-term bonds are secured by all assets of Rainbow Hospital Partnership.		
Total non-recourse short-term debt and long-term debt from ICI	**3,814,304**	2,485,271
Less: short-term debt and current portion of long-term debt	**277,392**	484,575
Non-recourse long-term debt from ICI	**$ 3,536,912**	$ 2,000,696

18. SHORT-TERM DEBT AND LONG-TERM DEBT (CONTINUED)

D) REPAYMENT OF PRINCIPAL OF SHORT-TERM DEBT AND LONG-TERM DEBT

The future principal payments of SNC-Lavalin's recourse and non-recourse short-term and long-term debt are summarized below and reconciled to their net carrying amount:

AT DECEMBER 31, 2013	Recourse	Non-recourse from ICI	Total
2014	$ –	$ 283,058	$ 283,058
2015	–	95,885	95,885
2016	–	154,479	154,479
2017	–	4,726	4,726
2018	–	206,381	206,381
Thereafter	350,000	3,102,636	3,452,636
Total	$ 350,000	$ 3,847,165	$ 4,197,165
Net unamortized deferred financing costs and unamortized discounts	(1,267)	(32,861)	(34,128)
Net carrying amount of short-term debt and long-term debt	$ 348,733	$ 3,814,304	$ 4,163,037

19. OTHER NON-CURRENT FINANCIAL LIABILITIES

	DECEMBER 31 2013	DECEMBER 31 2012
Third party deposits of AltaLink	**$ 107,565**	$ 51,991
Other	**17,479**	33,628
Other non-current financial liabilities	**$ 125,044**	$ 85,619

For certain projects, third parties of AltaLink contribute their share of capital project costs in advance of construction and provide advance funding for future operating and maintenance costs of assets constructed with third party-contributed funds. Third party deposits of AltaLink are recognized as non-current financial assets (see Note 13) with corresponding other non-current financial liabilities.

20. PROVISIONS

	Pension and other post-employment benefits	Forecasted losses on certain contracts	Other [1]	Total
Balance at January 1, 2013	$ 80,649	$ 101,210	$ 141,532	$ 323,391
Additional provisions recognized in the year	9,063	210,135	84,590	303,788
Amounts used during the year	(11,801)	(157,245)	(24,667)	(193,713)
Unused amounts reversed during the year	811	(23,290)	(7,100)	(29,579)
Actuarial losses recognized in equity	2,241	–	–	2,241
Increase from the passage of time, effect of changes in discount rates and effect of foreign currency exchange differences	5,310	1,157	4,337	10,804
Balance at December 31, 2013	**$ 86,273**	**$ 131,967**	**$ 198,692**	**$ 416,932**
Presented on the statement of financial position as follows:				
Current portion of provisions				**$ 159,661**
Non-current portion of provisions				**$ 257,271**

[1] Other provisions include mainly litigations, warranty provisions and asset retirement obligations.

The expected timing of outflows of economic benefits relating to the Company's provisions are as follows: i) most of the litigation provisions are expected to be resolved within the next 5 years; ii) forecasted losses on certain contracts are expected to be incurred over the period of a contract duration, usually up to 3 years; iii) warranty expenditure is expected to take place within the next five years; and iv) most of the other provisions are expected to be resolved over the next 20 years. The main assumptions used to determine the provision for pension and other post-employment benefits and other information, including the expected level of future funding payments in respect of those arrangements, are given in Note 31.

21. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly include contributions received by AltaLink from third parties used to finance certain capital construction costs which are released into revenues over the lives of the related assets. Other non-current liabilities also include funds provided by the *Alberta Utilities Commission* to AltaLink to pay for salvage costs, which are released into revenues when the associated costs are incurred.

	DECEMBER 31 2013	DECEMBER 31 2012
Third party contributions of AltaLink	**$ 574,900**	$ 419,769
Funds for salvage costs of AltaLink	**155,585**	167,926
Other	**7,282**	5,734
Other non-current liabilities	**$ 737,767**	$ 593,429

22. SHARE CAPITAL

A) AUTHORIZED

The Company is authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

The Board of Directors is authorized to issue such preferred shares in one or more series and to establish the number of shares in each series and the conditions attaching thereto, prior to their issue.

The share capital issued and outstanding of the Company consists only of fully paid common shares without nominal value. All common shares are equally eligible to receive dividends, subject to the prior rights of the holders of preferred shares. Each common share carries one vote at the shareholders' meeting of the Company.

Subject to the prior rights of the holders of preferred shares, upon the liquidation or dissolution of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, all the Company's assets available for payment or distribution to the holders of the common shares shall be paid or distributed equally, share for share, to the holders of such common shares.

B) STOCK OPTION PLANS

The main features of the stock option plans under which stock options were outstanding at December 31, 2013 are summarized below:

	2013, 2011, 2009 AND 2007 STOCK OPTION PLANS
Grant date	Sixth trading day following the approval by the Company's Board of Directors
Exercise price of stock options	The greater of: i) the average closing price for the five trading days preceding the grant date and ii) the closing price on the first trading day immediately preceding the grant date
Vesting of stock options	Graded vesting in three equal tranches: two years, three years and four years, respectively, after the grant date
Expiry of stock options	Six years after the grant date for the 2013 stock option plan and five years after the grant date for the 2011, 2009 and 2007 stock option plans
Other provisions	In the event of cessation of employment, except in the event of death or if the optionee is eligible to retire, unvested options are cancelled immediately and vested options remain exercisable for a specified period not exceeding 30 days. In the event of death or if the optionee is eligible to retire, both vested and unvested options continue to run their normal course

During the year ended December 31, 2013, the Company introduced the 2013 Stock Option Plan in favour of its key employees. The 2013 Stock Option Plan is similar to the 2011 Stock Option Plan with the exception that, among other things, the expiry of stock options has increased from 5 to 6 years.

22. SHARE CAPITAL (CONTINUED)

The table below presents the changes in the number of options outstanding in 2013 and 2012:

	2013		2012	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	**5,363,600**	**$ 44.19**	5,357,515	$ 44.57
Granted (1)	**1,246,800**	**$ 40.98**	1,173,900	$ 37.04
Exercised (2)	**(737,876)**	**$ 35.89**	(210,140)	$ 32.98
Expired	**(846,346)**	**$ 46.24**	(664,908)	$ 37.41
Forfeited	**(587,649)**	**$ 43.57**	(292,767)	$ 45.81
Options outstanding at end of year	**4,438,529**	**$ 44.37**	5,363,600	$ 44.19

(1) The weighted average fair value of stock options granted was $9.28 in 2013 ($9.39 in 2012).

(2) The weighted average market price of the Company's common shares upon the exercise of stock options was $40.32 in 2013 ($45.95 in 2012).

The table below summarizes information regarding the stock options outstanding and exercisable as at December 31, 2013.

			OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	STOCK OPTION PLAN	YEAR OF GRANT	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING OPTIONS' TERM (MONTHS)	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
$31.59	2007	2009	313,457	2	$ 31.59	313,457	$ 31.59
$37.53	2009	2009	195,138	4	$ 37.53	195,138	$ 37.53
$52.40 to $57.07	2009	2010	902,000	15	$ 52.46	601,314	$ 52.46
$51.55 to $54.07	2011	2011	918,334	28	$ 54.06	306,095	$ 54.06
$37.04	2011	2012	944,500	40	$ 37.04	–	$ –
$40.98	2013	2013	1,165,100	52	$ 40.98	–	$ –
			4,438,529	31	$ 44.37	1,416,004	$ 46.13

As at December 31, 2013, 2,329,416 stock options remained available for future grants under the 2013 stock option plan (2012: 123,300 stock options remained available for future grants under the 2011 stock option plan), while no stock options remain available for future grants under the 2011, 2009 and the 2007 stock option plans.

The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model, for the year ended December 31:

	2013	2012
Risk-free interest rate	**1.15%**	1.61%
Expected stock price volatility	**30.26%**	33.62%
Expected option life	**4.5 years**	4 years
Expected dividend yield	**2.00%**	1.50%

The underlying expected volatility was determined by reference to historical data.

22. SHARE CAPITAL (CONTINUED)

C) CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

As at December 31, 2013 and 2012, the Company had four cash-settled share-based payment compensation plans for executives, namely 2009 PSU plan, 2009 DSU plan, PSU plan and RSU plan. As at December 31, 2013 and 2012, the Company also had a cash-settled share-based payment compensation plan, DSU plan, for members of the Board of Directors of SNC-Lavalin Group Inc.

The terms and conditions of the executive plans are summarized below:

	2009 PSU PLAN	2009 DSU PLAN / PSU PLAN (1)	RSU PLAN
Grant date	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors
Number of units	Subject to performance conditions, the number of units granted shall be adjusted depending on the three-year cumulative annualized growth of earnings per share, to determine the number of units to which all participants receiving the award will be entitled to, if any	Determined at grant date, without any further changes	Determined at grant date, without any further changes
Vesting of units	Units vest in full at the end of the third calendar year following the grant date	Units vest at a rate of 20% per year following the grant date	Units vest in full three years following their grant date
Payment or conversion	At the option of the participant, upon vesting, units are redeemable for cash by the Company within ninety days following the completion of the vesting period or are converted as vested 2009 DSU	Units are redeemable for cash by the Company within thirty days following the first year anniversary of a participant's cessation of employment	Units are redeemable for cash by the Company within ninety business days following the completion of the vesting period
Redemption price	Average closing price per share on the Toronto Stock Exchange at the vesting date and the four trading days preceding such date	Average closing price per share on the Toronto Stock Exchange on the first year anniversary of cessation of employment and the last trading day on the Toronto Stock Exchange of each of the 12 weeks preceding that date	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date
Forfeiture	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made
Other provisions	The units vest immediately in the event of death or if a participant is eligible to retire, with payment being made within ninety business days following the end of the third calendar year from the grant date	The units vest immediately in the event of death or if a participant is retiring, with payment being made on the date of the first year anniversary following the participant's last day of employment	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a *pro rata* basis, with payment being made not later than March 15th of the year following the event

(1) The PSU plan has the same terms and conditions as the 2009 DSU plan, except that under certain conditions the vesting was immediate allowing the participant to receive 50% of the current year's grant as a cash payment. No units are available for future grants under the PSU plan since January 1, 2010.

The terms and conditions of the DSU plan are as follows: units are issued to Board Members of SNC-Lavalin Group Inc. at the end of each quarter. Each member is required to participate in the DSU plan by deferring at least 25% of their annual retainer. An additional number of units are also granted annually as determined by the Corporate Governance Committee of SNC-Lavalin Group Inc. All units issued vest immediately. When a member ceases to be a member of the Board of Directors, units are redeemed immediately in cash.

22. SHARE CAPITAL (CONTINUED)

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2013 and 2012:

	2013		2012	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2009 PSU plan	**71,564**	**$ 42.68**	44,120	$ 37.04
2009 DSU plan	**58,650**	**$ 43.01**	80,353	$ 39.18
RSU plan	**325,621**	**$ 41.64**	484,748	$ 38.00
DSU plan	**40,419**	**$ 41.71**	38,533	$ 40.55

The Company has a financial arrangement with an investment grade financial institution to limit its exposure to the variability of the units caused by fluctuations in its share price. This financial arrangement includes a financial instrument, which fluctuates in accordance with the movement in the Company's share price, and is required to be classified as FVTPL. As such, it is measured at fair value on the consolidated statement of financial position under "Other current financial assets", while the cash-settled share-based payment arrangement liabilities are recorded in "Other current liabilities". Gains and losses from the remeasurement of the financial instrument offset most of the related losses and gains from the fair value remeasurement of the cash-settled share-based payment arrangement liabilities. The financing arrangement is adjusted as needed to reflect new awards and/or settlements of units.

The compensation expense, net of the gain of $9.6 million from the remeasurement of the cash-settled share-based payment arrangement asset which offsets more than the loss of $7.2 million from the remeasurement of the cash-settled share-based payment arrangement liabilities in 2013 (2012: loss of $7.1 million which offsets most of the gain of $7.6 million), was $7.1 million for the year ended December 31, 2013 (2012: $10.0 million).

The total intrinsic value of the cash-settled share-based payment arrangement liabilities for which the participant's right to cash vested was $47.0 million as at December 31, 2013 (2012: $33.3 million), while the cash-settled share-based payment arrangement liabilities amounted to $56.2 million as at December 31, 2013 (2012: $40.4 million).

D) REDEMPTION OF SHARES

In 2013, the Board of Directors authorized the renewal of its normal course issuer bid to purchase for cancellation, on the open market, up to 3.0 million (2012: 3.0 million) common shares within a one-year period. The renewal of the Company's normal course issuer bid requires annual approval by the Board of Directors and the Toronto Stock Exchange. The redemptions of shares in 2013 and 2012 were as follows:

	2013	2012
Redeemed and cancelled:		
Portion allocated to share capital	**$ –**	$ 539
Portion allocated to retained earnings	**–**	6,335
	$ –	$ 6,874
Number of shares redeemed and cancelled	**–**	175,700
Average redemption price per share ($)	**$ –**	$ 39.12

E) WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES – BASIC AND DILUTED

The weighted average number of outstanding shares in 2013 and 2012 used to calculate the basic and diluted earnings per share were as follows:

AT DECEMBER 31 (IN THOUSANDS)	2013	2012
Weighted average number of outstanding shares – basic	**151,497**	151,058
Dilutive effect of stock options	**317**	246
Weighted average number of outstanding shares – diluted	**151,814**	151,304

In 2013, 2,985,434 outstanding stock options (2012: 4,212,297 outstanding stock options) have not been included in the computation of diluted earnings per share because they were anti-dilutive.

F) DIVIDENDS

During the year ended December 31, 2013, the Company recognized as distributions to its equity shareholders dividends of $139.4 million or $0.92 per share (2012: $132.9 million or $0.88 per share).

23. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income taxes, within its other components of equity at December 31, 2013 and 2012:

	DECEMBER 31 2013	DECEMBER 31 2012
Exchange differences on translating foreign operations	$ (47,063)	$ (47,975)
Available-for-sale financial assets	2,605	2,558
Cash flow hedges	(2,375)	395
Share of other comprehensive loss of investments accounted for by the equity method	(24,142)	(57,664)
Other components of equity	$ (70,975)	$ (102,686)

- Exchange differences on translating foreign operations component represents exchange differences relating to the translation from the functional currencies of the Company's foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal.
- Available-for-sale financial assets component arises upon the revaluation of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in net income. When a revaluated financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.
- Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's proportionate share of the other comprehensive income (loss) from its investments accounted for by the equity method.

23. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the years ended December 31, 2013 and 2012:

YEAR ENDED DECEMBER 31	**2013**	2012
Exchange differences on translating foreign operations:		
Balance at beginning of year	**$ (47,975)**	$ (33,028)
Current year gains (losses)	**1,828**	(14,947)
Reclassification to net income	**(916)**	–
Balance at end of year	**(47,063)**	(47,975)
Available-for-sale financial assets:		
Balance at beginning of year	**2,558**	1,538
Current year gains	**574**	1,387
Income taxes relating to current year gains	**76**	(200)
Reclassification to net income	**(725)**	(193)
Income taxes relating to amounts reclassified to net income	**122**	26
Balance at end of year	**2,605**	2,558
Cash flow hedges:		
Balance at beginning of year	**395**	(24,375)
Current year gains (losses)	**(13,315)**	2,303
Income taxes relating to current year gains (losses)	**2,858**	330
Reclassification to net income	**8,283**	29,954
Income taxes relating to amounts reclassified to net income	**(596)**	(7,817)
Balance at end of year	**(2,375)**	395
Share of other comprehensive income (loss) of investments accounted for by the equity method:		
Balance at beginning of year	**(57,664)**	(59,948)
Current year share	**12,736**	(5,678)
Income taxes relating to current year share	**(3,353)**	907
Reclassification to net income	**40,603**	9,481
Income taxes relating to amounts reclassified to net income	**(16,464)**	(2,426)
Balance at end of year	**(24,142)**	(57,664)
Other components of equity	**$ (70,975)**	$ (102,686)

ACTUARIAL GAINS AND LOSSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following table provides a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the years ended December 31, 2013 and 2012:

YEAR ENDED DECEMBER 31	**2013**			2012		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	**$ (22,136)**	**$ 5,691**	**$ (16,445)**	$ (14,078) [(1)]	$ 3,766 [(1)]	$ (10,312) [(1)]
Recognized during the year:						
Defined benefit pension plans	**304**	**(324)**	**(20)**	(7,830) [(2)]	1,871 [(2)]	(5,959) [(2)]
Other post-employment benefits	**(2,545)**	**987**	**(1,558)**	(228)	54	(174)
	(2,241)	**663**	**(1,578)**	(8,058)	1,925	(6,133)
Cumulative amount at December 31	**$ (24,377)**	**$ 6,354**	**$ (18,023)**	$ (22,136)	$ 5,691	$ (16,445)

(1) As at January 1, 2012, the amendments to IAS 19 resulted in a decrease in cumulative actuarial losses of \$3.4 million and in an increase in cumulative income taxes of \$0.9 million.

(2) See Note 2C for explanations relating to comparative figures.

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31		2013		2012 [(1)]
Selling expenses	$	**216,188**	$	225,492
General and administrative expenses		**620,400**		629,965
Selling, general and administrative expenses	**$**	**836,588**	$	855,457

(1) See Note 2C for explanations relating to comparative figures.

25. RESTRUCTURING COSTS AND GOODWILL IMPAIRMENT

Restructuring costs and goodwill impairment amounted to $123.5 million before taxes in 2013 and were as follows:

YEAR ENDED DECEMBER 31		2013		2012
Restructuring costs	$	**66,964**	$	–
Goodwill impairment		**56,500**		–
Restructuring costs and goodwill impairment	**$**	**123,464**	$	–

As part of the reorganization of its activities intended to implement its strategic plan and to increase efficiency and competitiveness, the Company incurred restructuring costs totalling $67.0 million in 2013 (2012: $nil). These costs represent amounts paid in 2013 for a total of $50.2 million (2012: $nil), as well as provisions for costs for a total of $16.8 million as at December 31, 2013 (2012: $nil). These accrued restructuring costs are expected to be disbursed within the next 12 months.

The restructuring costs recognized were mainly for severances, the disposal of certain activities and closure of certain offices, mainly in Europe. Such reorganization, the lack of profitability on certain activities and a decrease in the overall level of activities in the “Services and Packages – Europe” and in the “Services and Packages – Brazil” cash-generating units resulted in a goodwill impairment of $48.5 million and $8.0 million, respectively, in 2013 (2012: $nil). The amount of goodwill impairment was calculated using a discounted cash flow model, which is based on key assumptions such as future cash flows and discount rates ranging between 14.0% and 14.9%.

26. NET FINANCIAL EXPENSES

YEAR ENDED DECEMBER 31	2013			2012		
	FROM ICI	EXCLUDING ICI	TOTAL	FROM ICI	EXCLUDING ICI	TOTAL
Financial income	**$ (6,276)**	**$ (6,593)**	**$ (12,869)**	$ (5,042)	$ (8,390)	$ (13,432)
Interest on debt:						
Recourse	–	**21,852**	**21,852**	–	21,841	21,841
Non-recourse:						
AltaLink	**124,918**	–	**124,918**	104,652	–	104,652
Other	**7,562**	–	**7,562**	7,702	–	7,702
Other	**4,982**	**4,234**	**9,216**	5,169	230	5,399
Financial expenses	**137,462**	**26,086**	**163,548**	117,523	22,071	139,594
Net financial expenses	**$ 131,186**	**$ 19,493**	**$ 150,679**	$ 112,481	$ 13,681	$ 126,162

27. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

The following table presents the items included in the net change in non-cash working capital related to operating activities presented in the statements of cash flows, for the year ended December 31:

	2013	2012
Decrease (increase) in trade receivables	**$ 40,011**	$ (18,976)
Decrease (increase) in contracts in progress	**119,477**	(210,622)
Increase in other current financial assets	**(256,865)**	(76,483)
Increase in other current assets	**(29,944)**	(72,218)
Increase in trade payables	**327,833**	186,550
Increase (decrease) in downpayments on contracts	**(119,357)**	30,193
Increase (decrease) in deferred revenues	**(18,142)**	62,524
Increase in other current financial liabilities	**66,467**	36,336
Increase (decrease) in other current liabilities	**240**	(32,511)
Net change in non-cash working capital items	**$ 129,720**	$ (95,207)

28. INCOME TAXES

A) DEFERRED INCOME TAX ASSET AND DEFERRED INCOME TAX LIABILITY

Deferred income taxes arising from temporary differences and unused tax losses can be summarized as follows:

	JANUARY 1 2013	Recognized in other comprehensive income	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2013
Current:					
Retentions on client contracts	**$ (16,518)**	**$ –**	**$ (61,280)**	**$ –**	**$ (77,798)**
Contracts in progress	**(18,244)**	**–**	**5,277**	**–**	**(12,967)**
Retentions on supplier contracts	**28,075**	**–**	**33,797**	**–**	**61,872**
Accrued employee compensation	**7,382**	**–**	**3,724**	**–**	**11,106**
Current liabilities	**80,863**	**–**	**22,400**	**(92)**	**103,171**
Other	**(2,580)**	**–**	**2,851**	**–**	**271**
Non-current:					
Property and equipment, and goodwill	**(82,843)**	**–**	**(52,210)**	**880**	**(134,173)**
Non-current financial assets	**(9,945)**	**–**	**(924)**	**–**	**(10,869)**
Provisions	**(64,820)**	**–**	**22,273**	**(476)**	**(43,023)**
ICI accounted for by the equity or cost methods	**(39,224)**	**(19,817)**	**(43,129)**	**720**	**(101,450)**
Pension plans and other post-employment benefits	**17,073**	**663**	**19**	**346**	**18,101**
Other	**(5,162)**	**2,460**	**2,699**	**(154)**	**(157)**
Unused tax losses	**60,942**	**–**	**96,741**	**(1,271)**	**156,412**
Deferred income tax liability, net	**$ (45,001)**	**$ (16,694)**	**$ 32,238**	**$ (47)**	**$ (29,504)**
Presented on the statement of financial position as follows:					
Deferred income tax asset	**$ 177,581**	**–**	**–**	**–**	**$ 254,421**
Deferred income tax liability	**$ 222,582**	**–**	**–**	**–**	**$ 283,925**

Deferred income taxes for the comparative period 2012 can be summarized as follows:

	JANUARY 1 2012	Recognized in other comprehensive income	Recognized in net income	Exchange differences and other charges	DECEMBER 31 2012
Current:					
Retentions on client contracts	$ (32,095)	$ –	$ 15,577	$ –	$ (16,518)
Contracts in progress	(27,685)	–	9,441	–	(18,244)
Retentions on supplier contracts	22,427	–	5,648	–	28,075
Accrued employee compensation	6,572	–	810	–	7,382
Current liabilities	59,389	–	21,478	(4)	80,863
Other	363	–	(2,943)	–	(2,580)
Non-current:					
Property and equipment, and goodwill	(72,017)	–	(11,533)	707	(82,843)
Non-current financial assets	(7,176)	–	(2,769)	–	(9,945)
Provisions	(62,272)	–	(2,239)	(309)	(64,820)
ICI accounted for by the equity or cost methods	(12,164)	(1,519)	(25,607)	66	(39,224)
Pension plans and other post-employment benefits	16,235	1,925	(1,143)	56	17,073
Other	3,476	(7,661)	(451)	(526)	(5,162)
Unused tax losses	64,895	–	(3,253)	(700)	60,942
Deferred income tax liability, net	$ (40,052)	$ (7,255)	$ 3,016	$ (710)	$ (45,001)
Presented on the statement of financial position as follows:					
Deferred income tax asset	$ 161,364	–	–	–	$ 177,581
Deferred income tax liability	$ 201,416	–	–	–	$ 222,582

28. INCOME TAXES (CONTINUED)

As at December 31, 2013, the Company had $814.3 million (2012: $360.3 million) of non-capital tax losses carried-forward that expire in varying amounts from 2014 to 2033 (2012: from 2013 to 2032). As at December 31, 2013, a deferred income tax asset of $156.4 million (2012: $60.9 million) has been recognized on $628.0 million (2012: $300.7 million) 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.

As at December 31, 2013, the Company had $26.2 million (2012: $nil) of capital tax losses carried-forward on which no deferred income tax asset has been recognized.

As at December 31, 2013, a deferred income tax liability has not been recognized on taxable temporary differences of $671.1 million (2012: $758.1 million) associated with investments in subsidiaries, associates and interests in joint arrangements, as the Company controls the timing of the reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

B) INCOME TAXES

The relationship between the expected income taxes based on Canadian effective tax rate of SNC-Lavalin at 26.5% (2012: 26.3%) and the reported income taxes in net income can be reconciled as follows:

YEAR ENDED DECEMBER 31	2013		2012 (1)	
	AMOUNT	%	AMOUNT	%
Income before income taxes	**$ 78,092**		$ 373,366	
Canadian tax rate for SNC-Lavalin		**26.5**		26.3
Expected income taxes	**$ 20,683**		$ 98,315	
Increase (decrease) resulting from:				
Effect of differences of foreign tax rates compared to Canadian rates	**24,838**	**31.8**	(5,236)	(1.4)
Net income (loss) not affected by tax	**40,984**	**52.5**	2,451	0.7
Non-taxable income from certain ICI accounted for by the equity method	**(42,226)**	**(54.1)**	(27,019)	(7.2)
Other permanent differences for tax purposes	**9,395**	**12.0**	20	–
Other	**(11,966)**	**(15.3)**	(1,507)	(0.4)
Income taxes at effective tax rate	**$ 41,708**	**53.4**	$ 67,024	18.0

SNC-Lavalin's income taxes were comprised of the following:

YEAR ENDED DECEMBER 31	2013	2012 (1)
Current income taxes	**$ 73,946**	$ 70,040
Deferred income taxes	**(32,238)**	(3,016)
Income taxes	**$ 41,708**	$ 67,024

(1) See Note 2C for explanations relating to comparative figures.

29. FINANCIAL INSTRUMENTS

A) CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at December 31, 2013 and December 31, 2012 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2013					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 1,108,694**	**$ –**	**$ –**	**$ –**	**$ 1,108,694**	**$ 1,108,694**
Restricted cash	**54,616**	**–**	**–**	**–**	**54,616**	**54,616**
Trade receivables	**–**	**–**	**1,106,360**	**–**	**1,106,360**	**1,106,360**
Other current financial assets:						
Cash-settled share-based payment arrangement asset	**65,083**	**–**	**–**	**–**	**65,083**	**65,083**
Derivative financial instruments	**–**	**–**	**–**	**2,538**	**2,538**	**2,538**
Other current financial assets	**–**	**–**	**693,192**	**–**	**693,192**	**693,192**
ICI accounted for by the cost method:						
At cost or at fair value (1)	**–**	**346,700**	**–**	**–**	**346,700**	**See (1)**
At amortized cost	**–**	**–**	**80,168**	**–**	**80,168**	**80,168**
Non-current portion of receivables under service concession arrangements (2)	**–**	**–**	**300,758**	**–**	**300,758**	**299,002**
Non-current financial assets:						
Restricted cash	**10,810**	**–**	**–**	**–**	**10,810**	**10,810**
Other:						
At fair value	**107,565**	**10,011**	**–**	**127**	**117,703**	**117,703**
At cost/amortized cost (2)	**–**	**–**	**72,763**	**–**	**72,763**	**72,763**
Total	**$ 1,346,768**	**$ 356,711**	**$ 2,253,241**	**$ 2,665**	**$ 3,959,385**	

AT DECEMBER 31	2012					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	FVTPL	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 1,174,900	$ –	$ –	$ –	$ 1,174,900	$ 1,174,900
Restricted cash	32,815	–	–	–	32,815	32,815
Trade receivables	–	–	1,175,152	–	1,175,152	1,175,152
Other current financial assets:						
Cash-settled share-based payment arrangement asset	44,278	–	–	–	44,278	44,278
Derivative financial instruments	–	–	–	10,396	10,396	10,396
Other current financial assets	–	–	374,146	–	374,146	374,146
ICI accounted for by the cost method:						
At cost (1)	–	268,966	–	–	268,966	See (1)
At amortized cost	–	–	69,997	–	69,997	69,997
Non-current portion of receivables under service concession arrangements (2)	–	–	258,924	–	258,924	278,090
Non-current financial assets:						
Restricted cash	6,263	–	–	–	6,263	6,263
Other:						
At fair value	51,991	13,270	–	479	65,740	65,740
At cost/amortized cost (2)	–	–	48,209	–	48,209	48,209
Total	$ 1,310,247	$ 282,236	$ 1,926,428	$ 10,875	$ 3,529,786	

(1) These available-for-sale financial assets represent mainly equity instruments that do not have a quoted market price in an active market.

(2) For non-current portion of receivables under service concession arrangements and most of the non-current financial assets other than at fair value, the Company uses the present value technique to determine the fair value.

29. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the carrying value of SNC-Lavalin's financial liabilities at December 31, 2013 and December 31, 2012 by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2013			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	**$ –**	**$ 2,145,755**	**$ 2,145,755**	**$ 2,145,755**
Downpayments on contracts	**–**	**226,028**	**226,028**	**226,028**
Other current financial liabilities:				
Derivative financial instruments	**14,902**	**–**	**14,902**	**14,902**
Other current financial liabilities	**–**	**396,326**	**396,326**	**396,326**
Advances under contract financing arrangements (1)	**–**	**87,188**	**87,188**	**93,534**
Provisions	**–**	**22,723**	**22,723**	**22,723**
Short-term debt and long-term debt (2):				
Recourse	**–**	**348,733**	**348,733**	**393,750**
Non-recourse from ICI	**–**	**3,814,304**	**3,814,304**	**3,880,894**
Other non-current financial liabilities	**2,016**	**123,028**	**125,044**	**125,044**
Total	**$ 16,918**	**$ 7,164,085**	**$ 7,181,003**	

AT DECEMBER 31	2012			
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY			
	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade payables	$ –	$ 1,649,776	$ 1,649,776	$ 1,649,776
Downpayments on contracts	–	346,780	346,780	346,780
Other current financial liabilities:				
Derivative financial instruments	4,058	–	4,058	4,058
Other current financial liabilities	–	298,251	298,251	298,251
Advances under contract financing arrangements (1)	–	43,273	43,273	43,273
Short-term debt and long-term debt (2):				
Recourse	–	348,545	348,545	402,889
Non-recourse from ICI	–	2,485,271	2,485,271	2,693,622
Other non-current financial liabilities	11,104	74,515	85,619	85,619
Total	$ 15,162	$ 5,246,411	$ 5,261,573	

(1) The fair value of the advances under contract financing arrangements was determined using the market approach, which uses prices and other relevant information generated by market transactions involving similar or comparable liabilities.

(2) The fair value of short-term debt and long-term debt classified in the "other financial liabilities" category was determined using public quotations or the discounted cash flows method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates offered to SNC-Lavalin or to the ICI, depending on which entity has issued the debt instrument, for debt with the same terms and conditions.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	FINANCIAL INSTRUMENTS
Level 1	Quoted prices in active markets for identical assets or liabilities	Available-for-sale equity investments accounted for at fair value
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Cash and cash equivalents, restricted cash, derivatives used for cash flow hedges, cash-settled share-based payment arrangement asset (included in other current financial assets) and third party deposits of AltaLink (included in non-current financial assets)
Level 3	Inputs for the asset or liability that are not based on observable market data	None

29. FINANCIAL INSTRUMENTS (CONTINUED)

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE AND FOR WHICH THE FAIR VALUE IS DISCLOSED

The methodology used to determine the fair value of the following Company's assets and liabilities not measured at fair value is based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	ASSETS AND LIABILITIES
Level 1	Quoted prices in active markets for identical assets or liabilities	None
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Trade receivables, financial asset classified as "loans and receivables" (included in ICI accounted for by the cost method), non-current portion of receivables under service concession arrangements, trade payables, downpayments on contracts, advances under contract financing arrangements, short-term debt and long-term debt, as well as the following assets and liabilities not measured at fair value: other current financial assets, non-current financial assets, other current financial liabilities and other non-current financial liabilities
Level 3	Inputs for the asset or liability that are not based on observable market data	None

B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

NATURE OF RISK	DESCRIPTION
Credit risk	Risk that SNC-Lavalin will incur a financial loss if the other party to a financial instrument fails to discharge an obligation. The maximum exposure to credit risk for SNC-Lavalin at the end of a given period usually corresponds to the carrying amount of its financial assets exposed to such risk
Liquidity risk	Possibility that SNC-Lavalin will encounter difficulties in meeting the obligations associated with its financial liabilities
Market risk	Variability in the fair value or future cash flows of a financial instrument caused by a change in market prices in items such as currency rates, interest rates and equity prices

CREDIT RISK

For SNC-Lavalin, credit risk arises from:

i) Cash and cash equivalents, and restricted cash, which are invested in liquid and high-grade financial instruments, based on SNC-Lavalin's investment policy.

ii) Derivative financial instruments used for hedging purposes with a favourable fair value and the cash-settled share-based payment arrangement asset, which contain an inherent credit risk relating to default on obligations by the counterparty. This credit risk is reduced by entering into such contracts with high-grade financial institutions, which are expected to satisfy their obligations under the contracts.

iii) Trade receivables, as detailed in Note 8. A given client may represent a material portion of SNC-Lavalin's consolidated revenues in any given year due to the size of a particular project and the progress accomplished on such project.

The Company's objective is to reduce credit risk by ensuring collection of its trade receivables on a timely basis. The Company internally allocates imputed interest to provide an incentive to project managers to collect trade receivables, as uncollected balances result in an internal cost for the related project and, as such, impacts the profitability of the project, which is used to determine a manager's compensation, and of the associated operating segment.

iv) Other current financial assets, as detailed in Note 9, and non-current financial assets, as detailed in Note 13. The current and non-current portions of receivables under service concession arrangements are within normal terms of payment and there are no significant amounts that are past due as at December 31, 2013 and 2012.

v) The financial assets classified as "Loans and Receivables" included in "ICI accounted for by the cost method", which consist mainly of a loan to the Ambatovy's Project Operator (Note 5C).

vi) The financial guarantees on the Ambatovy project disclosed in Note 5C.

29. FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

SNC-Lavalin monitors its liquidity risk arising from financial instruments on an ongoing basis by ensuring that it has access to sufficient resources to meet its obligations.

As presented in Note 5, SNC-Lavalin's consolidated statement of financial position included approximately $5,158.3 million at December 31, 2013 (2012: $3,458.6 million) of liabilities from ICI that are accounted for by the full consolidation method. These liabilities, which are non-recourse to the Company, are to be repaid by the ICI and are secured by the respective concession's assets, including $696.1 million of financial assets at December 31, 2013 (2012: $544.8 million), and by SNC-Lavalin's shares or units in such concession investments. As such, the actual book value at risk for SNC-Lavalin, assuming its ICI accounted for by the full consolidation method were unable to meet their obligations, corresponds to the carrying amount invested in these entities, which totalled $1,132.4 million at December 31, 2013 (2012: $952.4 million).

SNC-Lavalin's future principal payments on its short-term debt and long-term debt are presented in Note 18.

A draw on letters of credit or bank guarantees (Note 29C) by one or more third parties could, among other things, significantly reduce the Company's cash position and have a material adverse effect on its business and results of operations.

MARKET RISK

I) CURRENCY RISK

SNC-Lavalin's foreign currency risk arises from arrangements in currencies other than its reporting currency and from the net assets of its foreign operations.

Foreign currency risk is managed by the Company by matching, when possible, the cash receipts in a foreign currency and the cash disbursements in the same foreign currency, for each revenue-generating project in which foreign currencies are involved. Derivative financial instruments with banks (i.e., forward foreign exchange contracts) are also used to hedge the cash flows in foreign currencies.

The following table summarizes the major forward foreign exchange contracts that were outstanding, for which SNC-Lavalin has committed to buy or sell foreign currencies:

AT DECEMBER 31, 2013			AT DECEMBER 31, 2012		
BUY	SELL	MATURITY	BUY	SELL	MATURITY
CA$ 307,352	**US$ 293,197**	**2014-2018**	CA$ 403,971	US$ 394,765	2013-2017
CA$ 139,713	**€ 98,246**	**2014-2018**	CA$ 114,594	€ 87,661	2013-2017
US$ 40,571	**CA$ 42,464**	**2014**	US$ 72,488	CA$ 73,230	2013-2014
US$ 880	**€ 644**	**2014**	US$ 3,312	€ 2,615	2013
€ 5,885	**US$ 7,909**	**2014**	€ 2,357	US$ 3,016	2013
€ 9,333	**CA$ 13,489**	**2014-2018**	€ 18,570	CA$ 24,460	2013-2017

As at December 31, 2013, the forward foreign exchange contracts used for hedging purposes by the Company had a net unfavourable fair value of $12.4 million (2012: net favourable fair value of $6.3 million). The major forward foreign exchange contracts that were outstanding at that date were to either buy or sell foreign currencies against the Canadian dollar, or to either buy or sell the US dollar against the Euro.

SENSITIVITY ANALYSIS

The following impact on equity for the year ended December 31, 2013 has been calculated from the Company's net assets (liabilities) denominated in US dollars and Euros from derivative financial instruments used to hedge the exposure to US dollars and Euros and from investments made in foreign operations.

		IMPACT ON EQUITY	
		CA$/US$ (2)	CA$/€ (2)
Increase (decrease)	10% appreciation in the Canadian dollar (1)	**$ (5,778)**	**$ (4,664)**
Increase (decrease)	10% depreciation in the Canadian dollar (1)	**$ 5,778**	**$ 4,664**

(1) Assuming all other variables remain the same.

(2) The Company's exposure to other currencies is not significant.

As at December 31, 2013, the impact of 10% change in exchange rates between Canadian dollars and US dollars, and between Canadian dollars and Euros would have no significant impact on the Company's net income.

29. FINANCIAL INSTRUMENTS (CONTINUED)

II) INTEREST RATE RISK

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

NON-RECOURSE SHORT-TERM DEBT AND LONG-TERM DEBT FROM ICI

Unlike Services, Packages and O&M activities, ICI are often capital intensive due to the ownership of infrastructure assets that are financed mainly with project-specific debt, which is usually non-recourse to the general credit of the Company. These investments usually reduce their exposure to interest rate risk by entering into fixed-rate financing arrangements or by hedging the variability of interest rates through derivative financial instruments. Fixing the interest rates gives the ICI stable and predictable financing cash outflows, which are usually structured to match the expected timing of their cash inflows. As a result, the changes in interest rates do not have a significant impact on SNC-Lavalin's consolidated net income.

RECOURSE LONG-TERM DEBT EXCLUDING ICI

SNC-Lavalin's recourse long-term debt bears interest at a fixed rate and is measured at amortized cost, therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

SNC-Lavalin's advances under contract financing arrangements usually involve limited interest rate risk due to their short-term nature.

III) EQUITY PRICE RISK

SNC-Lavalin limits its exposure arising from the cash-settled share-based payment arrangements caused by fluctuations in its share price, through a financial arrangement with an investment high-grade financial institution described in Note 22C.

C) LETTERS OF CREDIT

Under certain circumstances, SNC-Lavalin provides bank letters of credit as collateral for the fulfillment of contractual obligations, including guarantees for performance, advance payments, contractual retentions and bid bonds. Certain letters of credit decrease in relation to the percentage of completion of projects. As at December 31, 2013, SNC-Lavalin had outstanding letters of credit of $1,904.9 million (2012: $1,956.6 million).

30. CAPITAL MANAGEMENT

SNC-Lavalin's main objective when managing its capital is to maintain an adequate balance between: i) having sufficient capital for financing net asset positions, maintaining satisfactory bank lines of credit and capacity to absorb project net retained risks, while at the same time, ii) maximizing return on equity.

The Company defines its capital as its equity attributable to SNC-Lavalin shareholders excluding other components of equity plus its recourse debt. The Company excludes other components of equity from its definition of capital because this element of equity results in part from the accounting treatment of cash flow hedges, including share of comprehensive income of investments accounted for by the equity method, and is not representative of the way the Company evaluates the management of its foreign currency risk. Accordingly, the other components of equity are not representative of the Company's financial position.

The Company does not consider non-recourse debt when monitoring its capital because the lenders of such debt do not have recourse to the general credit of the Company, but rather to the specific assets of the ICI or the projects they finance. The Company's investment and underlying assets in its ICI or projects may, however, be at risk if such investments or projects were unable to repay their non-recourse debt.

The Company's objective remains to maintain a recourse debt-to-capital ratio that would not exceed a ratio of 30:70. The recourse debt-to-capital ratio, as calculated by the Company, was as follows:

	DECEMBER 31 2013	DECEMBER 31 2012
Recourse debt	**$ 348,733**	$ 348,545
Equity attributable to SNC-Lavalin shareholders	**$ 2,036,658**	$ 2,075,433
Less: Other components of equity	**(70,975)**	(102,686)
Plus: Recourse debt	**348,733**	348,545
Capital	**$ 2,456,366**	$ 2,526,664
Recourse debt-to-capital ratio	**14:86**	14:86

The Company has paid quarterly dividends for 24 consecutive years and strives to increase its yearly dividend paid per share, which it has done over the past 13 years.

In 2013, the Company complied with all of the covenants related to its debentures and credit facility.

31. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

A) PENSION PLANS

SNC-Lavalin has defined contribution and defined benefit pension plans. The total cash amount paid by SNC-Lavalin for its pension plans, consisting of contributions to its defined contribution and defined benefit pension plans, was $82.1 million in 2013 (2012: $87.3 million).

DEFINED CONTRIBUTION PENSION PLANS

SNC-Lavalin's contributions to its defined contribution plans are recorded as expenses in the year in which they are incurred and totalled $75.0 million in 2013 (2012: $78.9 million).

DEFINED BENEFIT PENSION PLANS

SNC-Lavalin has a number of defined benefit pension plans, which are all closed to new entrants and that provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed at least every three years for each plan. The latest actuarial valuations were performed on December 31, 2011 for two pension plans out of three principal pension plans and on December 31, 2010 for the third pension plan. The measurement date used for the benefit obligation and plan assets is December 31 of each year. All SNC-Lavalin's defined benefit pension plans are partly funded.

The defined benefit plans are administrated by pension plan managers that are legally separated from SNC-Lavalin. The boards of these pension plan managers are composed of a number of representatives from employer's representatives, active employees, inactive employees and independent members. The boards of the pension plan managers are required by law and by their articles of association to act in the interest of the pension plans and all their relevant stakeholders, i.e. active employees, inactive employees, retirees and employers. The boards of the pension plan managers are responsible for the investment policy with regard to the assets of the pension plans.

SNC-Lavalin's defined benefit pension plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk and compensation risk.

NATURE OF RISK	DESCRIPTION
Investment risk	The present value of the defined benefit pension plan obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plans liabilities; however, this will be partially offset by an increase in the return on the plans' debt securities.
Compensation risk	The present value of the defined benefit pension plan obligation is calculated by reference to the final pensionable earnings of plans participants.

31. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table sets forth the change in pension benefit obligation and pension plan assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

AT DECEMBER 31	2013	2012 (1)
Change in pension benefit obligation:		
Pension benefit obligation at beginning of year	**$ 214,848**	$ 203,450
Current service cost	**2,006**	2,058
Interest cost	**7,580**	7,669
Benefits paid	**(10,717)**	(12,619)
Contributions by plan participants	**1,010**	900
Remeasurement:		
Actuarial losses arising from changes in demographic assumptions	**6,016**	–
Actuarial losses arising from changes in financial assumptions	**3,158**	6,240
Actuarial losses arising from experience adjustments	**3,674**	4,966
Effect of foreign currency exchange differences	**8,138**	2,184
Settlement	**(9,585)**	–
Pension benefit obligation at end of year	**$ 226,128**	$ 214,848
Change in pension plan assets:		
Fair value of pension plan assets at beginning of year	**$ 156,795**	$ 145,705
Interest income	**5,600**	5,559
Remeasurement:		
Return on plans assets (excluding interest income)	**8,110**	7,582
Administration costs	**(487)**	(227)
Effect of foreign currency exchange differences	**6,099**	1,506
Benefits paid	**(10,717)**	(12,619)
Contributions by the employer	**7,073**	8,389
Contributions by plan participants	**1,010**	900
Settlement	**(10,511)**	–
Fair value of pension plans assets at end of year	**$ 162,972**	$ 156,795

AT DECEMBER 31	2013	2012 (1)
Funded status reflected in the statement of financial position:		
Present value of the pension benefit obligation	**$ 226,128**	$ 214,848
Fair value of pension plan assets	**162,972**	156,795
Pension plans in deficit	**63,156**	58,053
Additional liability due to minimum funding requirements	**–**	4,895
Net accrued pension benefit liability	**$ 63,156**	$ 62,948

SNC-Lavalin's net defined benefit pension costs recognized in net income and in other comprehensive income were comprised of:

YEAR ENDED DECEMBER 31	2013	2012 (1)
Current service cost	**$ 2,006**	$ 2,058
Net interest expense	**1,980**	2,110
Settlement loss	**926**	–
Administration costs	**487**	227
Other	**147**	–
Components of benefit pension costs recognized in net income	**$ 5,546**	$ 4,395

YEAR ENDED DECEMBER 31	2013	2012 (1)
Remesurement on the net defined benefit liability:		
Return on plan assets (excluding interest income)	**$ (8,110)**	$ (7,582)
Actuarial losses arising from changes in demographic assumptions	**6,016**	–
Actuarial losses arising from changes in financial assumptions	**3,158**	6,240
Actuarial losses arising from experience adjustments	**3,674**	4,966
Variation in liability due to minimum funding requirements	**(5,042)**	4,206
Components of benefit pension costs recognized in other comprehensive income	**$ (304)**	$ 7,830

(1) See Note 2C for explanations relating to comparative figures.

31. PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

SNC-Lavalin expects to make contributions of $7.0 million in 2014 to its defined benefit pension plans.

The following table presents the fair value of the major categories of assets of SNC-Lavalin's defined benefit pension plans:

	DECEMBER 31 2013	DECEMBER 31 2012
Asset category		
Equity securities	**$ 72,835**	$ 103,654
Debt securities	**90,137**	53,141
Total	**$ 162,972**	$ 156,795

The fair values of the above equity and debt instruments are determined based on quoted prices in active markets.

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation:

	DECEMBER 31 2013	DECEMBER 31 2012
Accrued pension benefit obligation		
Discount rate	**3.77%**	3.59%
Rate of compensation increase	**3.18%**	3.27%

The sensitivity analysis below was determined based on reasonable possible changes of the respective assumptions occurring at December 31, 2013, while holding all other assumptions constant.

If the discount rate is 1% higher (lower), the defined benefit pension obligation would decrease by approximately $29.0 million (increase by approximately $36.8 million).

If the rate of compensation increase is 1% higher (lower), the defined benefit pension obligation would increase by approximately $22.4 million (decrease by $17.4 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit pension obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit pension obligation was calculated using the projected unit credit method at the end of the reporting period, which is the same method applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

The weighted average duration of the pension benefit obligation as at December 31, 2013 is 14.7 years (2012: 14.1 years).

B) OTHER POST-EMPLOYMENT BENEFITS

As at December 31, 2013, the obligation for other post-employment benefits amounted to $23.1 million (December 31, 2012: $17.7 million).

32. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

In February 2012, the Board of Directors initiated an independent investigation (the "Independent Review"), led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements) to construction projects to which they did not relate, and certain other contracts. On March 26, 2012, the Company announced the results of the Independent Review and related findings and recommendations of the Audit Committee to the Board of Directors and provided information to the appropriate authorities. The Company understands that investigations by law enforcement and securities regulatory authorities remain ongoing in connection with this information, which are described in greater detail below. The Company also continues to review compliance matters (including matters beyond the scope of the Independent Review), including to assess whether amounts may, directly or indirectly, have been improperly paid to persons owing fiduciary duties to the Company, and as additional information, if any, arises as a result thereof, the Company will continue to investigate and review such information as it has in the past.

32. CONTINGENT LIABILITIES (CONTINUED)

RCMP Investigations

The Royal Canadian Mounted Police (the "RCMP") is conducting a formal investigation into whether improper payments were made or offered to government officials in Bangladesh to influence the award of a proposed construction supervision consulting contract to a subsidiary of the Company in violation of *the Corruption of Foreign Public Officials Act* (Canada) (the "CFPOA") and its involvement in projects in certain North African countries. This investigation has led to criminal charges being laid against three former employees of a subsidiary of the Company pursuant to the anti-bribery provisions of the CFPOA.

The RCMP is also conducting a formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts in violation of the CFPOA, the *Criminal Code* (Canada) (the "Criminal Code") and the *Regulations Implementing the United Nations Resolutions on Libya* in Canada (the "UN Resolution"). This investigation has led to criminal charges being laid against two additional former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the UN Resolution.

Although, to date, the Company has not been charged in connection with the subject matter of the RCMP investigations and continues to cooperate with the RCMP in its investigation of these events, these investigations ultimately may result in criminal charges being laid against the Company and/or certain of its subsidiaries under the CFPOA, the Criminal Code and/or the UN Resolution and could result in a conviction on one or more of such charges. The RCMP investigations and potential outcomes thereof, and any negative publicity associated therewith, could adversely affect the Company's business, results of operations and reputation and could subject the Company to sanctions, fines and other penalties, some of which may be significant. In addition, potential consequences of the RCMP investigations could include, in respect of the Company or one or more of its subsidiaries, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain governments (such as the Government of Canada and/or Canadian provincial governments) or by certain administrative organizations under applicable procurement laws, regulations, policies or practices. The Company derives a significant percentage of its annual global revenue (and an even larger percentage of its annual Canadian revenue) from government and government-related contracts. As a result, suspension, prohibition or debarment, whether discretionary or mandatory, from participating in certain government and government-related contracts (in Canada, Canadian provinces or elsewhere) would have a material adverse effect on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

AMF Investigation; AMF Certification under the Quebec Public Contracts Act

The Company understands that there is an ongoing investigation being conducted in the context of applicable securities laws and regulations by the securities regulator in the Province of Quebec, the Autorité des marchés financiers (the "AMF").

In addition, as announced on February 5, 2014, the Company and certain of its subsidiaries obtained the requisite certification from the AMF to contract with public bodies in the Province of Quebec, as required pursuant to the *Act Respecting Contracting With Public Bodies*. In the event an entity or any of its affiliates is convicted of certain specified offences under the Criminal Code or the CFPOA, AMF certification can be automatically revoked. In addition, the AMF has the discretionary power to refuse to grant an authorization or revoke an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract.

World Bank Settlement

On April 17, 2013, the Company announced a settlement in connection with the previously announced investigations by the World Bank Group relating to the project in Bangladesh referred to above and a project in Cambodia, which includes a suspension of the right to bid on and to be awarded World Bank Group-financed projects by SNC-Lavalin Inc., a subsidiary of the Company, and its controlled affiliates for a period of 10 years (the "World Bank Settlement"). The suspension could be lifted after eight years, if the terms and conditions of the settlement agreement are complied with fully.

32. CONTINGENT LIABILITIES (CONTINUED)

According to the terms of the World Bank Settlement, certain of the Company's other affiliates continue to be eligible to bid on and be awarded World Bank Group-financed projects as long as they comply with all of the terms and conditions imposed upon them under the terms of the World Bank Settlement, including an obligation not to evade the sanction imposed. The World Bank Settlement also requires that the Company cooperate with the World Bank on various compliance matters in the future. The World Bank Settlement does not include a financial penalty. The World Bank Settlement has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

Other Investigations

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters, including an investigation by Swiss authorities (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012). In addition, the former CEO of the Company and a former Executive Vice-President of the Company have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec and the same former Executive Vice-President has been detained by Swiss authorities since April 2012 in connection with potential criminal charges, including fraud-related matters.

The Company is currently unable to determine when any of the above investigations will be completed, whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. While the Company continues to cooperate and communicate with authorities in connection with all ongoing investigations as noted above (including with respect to the RCMP investigations), if regulatory, enforcement or administrative authorities or third parties determine to take action against the Company or to sanction the Company in connection with possible violations of law, contracts or otherwise, the consequences of any such sanctions or other actions, whether actual or alleged, could require the Company to pay material fines or damages, consent to injunctions on future conduct or lead to other penalties including temporary or permanent, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain administrative organizations (such as those provided for in the World Bank Settlement) or by governments (such as the Government of Canada and/or the Government of Quebec) under applicable procurement laws, regulations, policies or practices, each of which could, materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities.

The outcomes of the above investigations could also result in, among other things, (i) covenant defaults under various project contracts, (ii) third party claims, which may include claims for special, indirect, derivative or consequential damages, or (iii) adverse consequences on the Company's ability to secure or continue its own financing, or to continue or secure financing for current or future projects, any of which could materially adversely affect the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities. In addition, these investigations and outcomes of these investigations (including the World Bank Settlement) and any negative publicity associated therewith, could damage SNC-Lavalin's reputation and ability to do business. Finally, the findings and outcomes of these investigations (including the World Bank Settlement) may affect the course of the class action lawsuits (described below).

Due to the uncertainties related to the outcome of each of the above investigations, the Company is currently unable to reliably estimate an amount of potential liabilities or a range of potential liabilities, if any, in connection with any of these investigations.

The Company's senior management and Board of Directors have been required to devote significant time and resources to the investigations described above, the World Bank Settlement and ongoing related matters which have distracted and may continue to distract from the conduct of the Company's daily business, and significant expenses have been and may continue to be incurred in connection with these investigations including substantial fees of lawyers and other advisors. In addition, the Company and/or other employees or additional former employees of the Company could become the subject of these or other investigations by law enforcement and/or regulatory authorities in respect of the matters described above or other matters which, in turn, could require the devotion of additional time of senior management and the diversion or utilization of other resources.

32. CONTINGENT LIABILITIES (CONTINUED)

B) CLASS ACTION LAWSUITS

On March 1, 2012, a "Motion to Authorize the Beginning of a Class Action and to Obtain the Status of Representative" (the "Quebec Motion") was filed with the Quebec Superior Court, on behalf of persons who acquired SNC-Lavalin securities from and including March 13, 2009 through and including February 28, 2012, whether in a primary market offering or in the secondary market. The defendants in the Québec Motion are SNC-Lavalin and certain of its current and former directors and officers. The Quebec Motion raises both statutory and negligent misrepresentation claims.

On May 9, 2012, two proposed class actions were commenced in the Ontario Superior Court on behalf of all persons who acquired SNC-Lavalin securities during different time periods. These two actions were consolidated into a single action (the "Ontario Action") on June 29, 2012. The defendants in the Ontario Action are SNC-Lavalin and certain of its current and former directors and officers. The Ontario Action seeks damages on behalf of all persons who acquired securities of SNC-Lavalin between November 6, 2009 and February 27, 2012 (the "Class Period"). The Ontario Action raises, among other things, both statutory and common law misrepresentation claims.

The Quebec Motion and the Ontario Action (collectively, the "Actions") allege that certain documents filed by SNC-Lavalin contained misrepresentations concerning, among other things, SNC-Lavalin's corporate governance practices, adequacy of controls and procedures, reported net income for the year ended December 31, 2010, and adherence to SNC-Lavalin's Code of Ethics.

On September 19, 2012, the Ontario judge agreed to the discontinuance of the plaintiffs' claims other than the statutory misrepresentation claims under securities legislation in accordance with an agreement with the plaintiffs. The judge granted the plaintiffs leave to proceed with those statutory claims and has certified a class action covering shareholders who bought SNC-Lavalin shares during the Class Period except for Quebec residents. On January 24, 2013, a judge of the Quebec Superior Court rendered a similar judgement covering Quebec residents.

The Actions each seek damages based on the decline in market value of the securities purchased by proposed class members when SNC-Lavalin issued a press release dated February 28, 2012, as well as other damages and costs. The Ontario Action seeks additional damages based on further drops in share price on April 13, June 25, November 26, 28, and 29, 2012 and on July 3, 2013 allegedly related to the release of information concerning, among other things, developments in investigations being carried out by Canadian and Swiss law enforcement authorities (described above), pursuant to amendments made to the Ontario Action granted by the Court on January 29, 2014.

Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of these lawsuits or determine the amount of any potential losses, if any, and SNC-Lavalin may, in the future, be subject to further class action lawsuits or other litigation. While SNC-Lavalin has directors' and officers' liability insurance insuring individuals against liability for acts or omissions in their capacities as directors and officers, the Company does not maintain any other insurance in connection with the Actions. The amount of coverage under the directors' and officers' policy is limited and such coverage may be an insignificant portion of any amounts the Company is required or determines to pay in connection with the Actions. In the event the Company is required or determines to pay amounts in connection with these lawsuits or other litigation, such amounts could be significant and may have a material adverse impact on SNC-Lavalin's liquidity and financial results.

C) OTHER

The Company is a party to other claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a materially adverse effect on its financial position or results of operations.

33. OPERATING LEASE ARRANGEMENTS

SNC-Lavalin's minimum lease payments for annual basic rental under long-term operating leases, mainly for office space, amounted to $388.3 million in 2013. The annual minimum lease payments are as follows: 2014 – $92.8 million; 2015 – $76.4 million; 2016 – $54.6 million; 2017 – $40.4 million; 2018 – $40.4 million and thereafter – $83.7 million.

SNC-Lavalin's payments under operating lease arrangements recognized as an expense in net income amounted to $89.9 million for the year ended December 31, 2013 (2012: $90.8 million). As at December 31, 2013 and 2012, the total of future minimum sublease payments expected to be received under non-cancellable subleases was not significant.

34. REMUNERATION

A) EMPLOYEE REMUNERATION

Expenses recognized for employee benefits, including expenses recognized for key management remuneration and directors' fees, are analyzed as follows:

YEAR ENDED DECEMBER 31	2013	2012 [1]
Short-term benefits	**$ 2,589,041**	$ 2,511,116
Share-based payments	**15,341**	22,335
Defined contribution pension plans	**75,007**	78,932
Defined benefit pension plans and other post-employment benefits	**11,560**	6,672
	$ 2,690,949	$ 2,619,055

B) KEY MANAGEMENT REMUNERATION AND DIRECTORS' FEES

Expenses recognized for key management remuneration and directors' fees, representing 161 people (2012: 129 people) and comprising all members of the Company's Management Committee and all directors of SNC-Lavalin Group Inc.'s Board of Directors, even if they provided services only for a portion of the year, are detailed as follows:

YEAR ENDED DECEMBER 31	2013	2012 [1]
Short-term benefits	**$ 56,582**	$ 55,980
Share-based payments	**5,710**	12,849
Defined benefit and defined contribution pension plans and other post-employment benefits	**5,289**	7,677
	$ 67,581	$ 76,506

(1) See Note 2C for explanations relating to comparative figures.

35. RELATED PARTY TRANSACTIONS

In the normal course of its operations, SNC-Lavalin enters into transactions with certain of its ICI. Investments in which SNC-Lavalin has significant influence or joint control, which are accounted for by the equity method, are considered related parties.

Consistent with IFRS, intragroup profits generated from revenues with ICI accounted for by the equity or full consolidation methods are eliminated in the period they occur, except when such profits are deemed to have been realized by the ICI. Profits generated from transactions with ICI accounted for by the cost method are not eliminated.

The accounting treatment of intragroup profits is summarized below:

ICI	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
AltaLink	Full consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by AltaLink via legislation applied by an independent governmental regulatory body.
ICI accounted for under IFRIC 12	Full consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the ICI through the contractual agreement with its client.
	Equity method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the ICI through the contractual agreement with its client.
Others	Equity method	Eliminated in the period they occur, as a reduction of the underlying asset and subsequently recognized over the depreciation period of the corresponding asset.
	Cost method	Not eliminated, in accordance with IFRS.

For the year ended December 31, 2013, SNC-Lavalin recognized revenues of $734.8 million (2012: $763.6 million) from contracts with ICI accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these ICI accounted for by the equity method of $183.9 million for the year ended December 31, 2013 (2012: $114.5 million). Intragroup revenues generated from transactions with AltaLink, which amounted to $1,529.9 million for the year ended December 31, 2013 (2012: $784.7 million), were eliminated upon consolidation, while profits from those transactions were not eliminated.

SNC-Lavalin's trade receivables from these ICI accounted for by the equity method amounted to $35.3 million as at December 31, 2013 (2012: $23.3 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to $300.0 million as at December 31, 2013 (2012: $172.4 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $155.2 million as at December 31, 2013 (2012: $141.5 million).

All of these related party transactions are measured at fair value.

36. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The main subsidiaries, joint ventures, joint operations and associates of the Company at December 31, 2013 and 2012, except where otherwise indicated, in addition to their jurisdiction of incorporation and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by the Company or the percentage of joint arrangement interest are set out below:

SUBSIDIARIES	2013 %	2012 %	COUNTRY
AltaLink, L.P.	**100.0**	100.0	Canada
Candu Energy Inc.	**100.0**	100.0	Canada
DBA Engineering Ltd.	**100.0**	100.0	Canada
Groupe Qualitas Inc.	**100.0**	100.0	Canada
Groupe Stavibel Inc.	**100.0**	100.0	Canada
Infrastructure Famille Santé Inc.	**100.0**	100.0	Canada
Intecsa-Inarsa, S.A.	**–**	100.0	Spain
Interfleet Technology Limited	**100.0**	100.0	United Kingdom
Itansuca Proyectos de Ingenieria S.A.	**100.0**	100.0	Colombia
MDH Engineered Solutions Corp.	**100.0**	100.0	Canada
Marte Engenharia Ltda	**100.0**	100.0	Brazil
SNC-Lavalin Projetos Industriais Ltda.	**100.0**	100.0	Brazil
Nexacor Realty Management Inc.	**100.0**	100.0	Canada
Okanagan Lake Concession Limited Partnership	**100.0**	100.0	Canada
Ovation Real Estate Group (Québec) Inc.	**100.0**	100.0	Canada
P.T. SNC-Lavalin TPS	**95.0**	95.0	Indonesia
Rainbow Hospital Partnership	**100.0**	100.0	Canada
S.A. SNC-Lavalin N.V.	**100.0**	100.0	Belgium
SNC-Lavalin (Malaysia) Sdn. Bhd.	**100.0**	100.0	Malaysia
SNC-Lavalin (Shanghai) International Trading Co. Ltd.	**100.0**	100.0	China
SNC-Lavalin Aéroports S.A.S.U.	**100.0**	100.0	France
SNC-Lavalin Algérie EURL	**100.0**	100.0	Algeria
SNC-Lavalin Angola Lda	**100.0**	100.0	Angola
SNC-Lavalin Arabia LLC	**100.0**	100.0	Saudi Arabia
SNC-Lavalin ATP Inc.	**100.0**	100.0	Canada
SNC-Lavalin Australia Pty. Ltd.	**100.0**	100.0	Australia
SNC-Lavalin Capital Inc.	**100.0**	100.0	Canada
SNC-Lavalin Chile S.A.	**100.0**	100.0	Chile
SNC-Lavalin Construction (Atlantic) Inc.	**100.0**	100.0	Canada
SNC-Lavalin Construction Inc.	**100.0**	100.0	Canada
SNC-Lavalin Construction (Ontario) Inc.	**100.0**	100.0	Canada
SNC-Lavalin Construction International SAS	**–**	100.0	France
SNC-Lavalin Constructors Inc.	**100.0**	100.0	United States
SNC-Lavalin Constructors International Inc.	**100.0**	100.0	Canada
SNC-Lavalin Constructors (Pacific) Inc.	**100.0**	100.0	Canada
SNC-Lavalin Defence Programs Inc.	**100.0**	100.0	Canada
SNC-Lavalin Engineering India Private Limited	**100.0**	100.0	India
SNC-Lavalin Engineers & Constructors, Inc.	**100.0**	100.0	United States
SNC-Lavalin Europe B.V.	**100.0**	100.0	Netherlands
SNC-Lavalin Europe S.A.S.	**100.0**	100.0	France
SNC-Lavalin Evergreen Line Holdings Limited	**100.0**	100.0	Canada
SNC-Lavalin Inc.	**100.0**	100.0	Canada
SNC-Lavalin International Inc.	**100.0**	100.0	Canada
SNC-Lavalin International S.A.S.	**100.0**	100.0	France
SNC-Lavalin Nuclear Inc.	**100.0**	100.0	Canada
SNC-Lavalin Operations & Maintenance Inc.	**100.0**	100.0	Canada
SNC-Lavalin Peru S.A.	**100.0**	100.0	Peru

36. SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES (CONTINUED)

SUBSIDIARIES	2013 %	2012 %	COUNTRY
SNC-Lavalin Pharma Inc.	**100.0**	100.0	Canada
SNC-Lavalin Polska Sp. Z o.o.	**100.0**	100.0	Poland
SNC-Lavalin Romania S.A.	**100.0**	100.0	Romania
SNC-Lavalin S.A.S.	**100.0**	100.0	France
SNC-Lavalin Services Ltd.	**100.0**	100.0	Canada
SNC-Lavalin South Africa (Proprietary) Limited	**100.0**	100.0	South Africa
SNC-Lavalin UK Limited	**100.0**	100.0	United Kingdom
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.	**100.0**	100.0	France
The SNC-Lavalin Corporation	**100.0**	100.0	United States

JOINT VENTURES	2013 %	2012 %	COUNTRY
Infrastructure Concession Investments			
407 East Development Group General Partnership	**50.0**	50.0	Canada
407 International Inc. (1)	**16.77**	16.77	Canada
Chinook Roads Partnership	**50.0**	50.0	Canada
Groupe immobilier santé McGill, S.E.N.C. (2)	**60.0**	60.0	Canada
Rideau Transit Group Partnership	**40.0**	–	Canada
TC Dôme S.A.S. (2)	**51.0**	51.0	France
Other			
SNC-Lavalin International Inc. and Zuhair Fayez Engineering Consultancies Company	**50.0**	50.0	Saudi Arabia

JOINT OPERATIONS	2013 %	2012 %	COUNTRY
407 East Construction General Partnership	**50.0**	50.0	Canada
JV Vault	**50.0**	50.0	Canada
SLN-Aecon JV	**50.0**	50.0	Canada
SNC-Lavalin Graham Joint Venture	**50.0**	50.0	Canada
SNC-Lavalin Gulf Contractors LLC	**49.0**	49.0	United Arab Emirates
Société d'expertise et d'ingénierie L.G.L., S.A.	**33.33**	33.33	Haiti

ASSOCIATES	2013 %	2012 %	COUNTRY
Infrastructure Concession Investments			
Astoria Project Partners LLC	**21.0**	21.0	United States
Astoria Project Partners II LLC (3)	**6.2**	18.5	United States
InTransit BC Limited Partnership	**33.3**	33.3	Canada
Malta International Airport p.l.c. (4)	**15.5**	15.5	Malta
Myah Tipaza S.p.A.	**25.5**	25.5	Algeria
Rayalseema Expressway Private Limited	**36.9**	36.9	India
Shariket Kahraba Hadjret En Nouss S.p.A.	**26.0**	26.0	Algeria
Société d'Exploitation de Vatry Europort S.A. (2)	**–**	51.1	France
Other			
OAO VNIPIneft	**48.0**	48.0	Russia

(1) Although the Company holds less than 20% of the equity shares of 407 International Inc., the Company exercises joint control over this entity based on its contractual agreements.

(2) Although the Company's ownership interest in Groupe immobilier santé McGill, S.E.N.C. and TC Dôme S.A.S. (and Société d'Exploitation de Vatry Europort S.A. in 2012) is more than 50%, the Company does not exercise control over these entities based on its contractual agreements.

(3) As at December 31, 2012, the Company's ownership interest in Astoria Project Partners II LLC was classified as an "associate" since the Company exercised significant influence over this entity based on its contractual arrangements. As at December 31, 2013, the Company's ownership interest in Astoria Project Partners II LLC is no longer considered an "associate" since the decrease of the Company's ownership in this ICI (see Note 5A).

(4) Although the Company's ownership interest in Malta International Airport p.l.c. is less than 20%, the Company exercises significant influence over this entity based on its contractual agreements.