ShawCor Ltd.

Consolidated Financial Statements
December 31, 2014

(in thousands of Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of ShawCor Ltd.

We have audited the accompanying consolidated financial statements of ShawCor Ltd., which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013, 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.

Auditors' 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 audits 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 auditors' 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 auditors consider 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 ShawCor Ltd. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

March 4, 2015

ShawCor Ltd.

Consolidated Balance Sheets

As at December 31:

(in thousands of Canadian dollars)	**2014**	2013
ASSETS		
Current Assets		
Cash and cash equivalents (note 8)	**$ 116,556**	$ 79,395
Short-term investments	**550**	6,618
Loans receivable (note 9)	**–**	1,780
Accounts receivable (note 10)	**457,610**	363,984
Income taxes receivable	**11,232**	9,919
Inventories (note 11)	**194,732**	180,876
Prepaid expenses	**27,370**	19,176
Derivative financial instruments (note 26)	**5,578**	624
	813,628	662,372
Assets held for sale (note 19)	**–**	56,186
	813,628	718,558
Non-current Assets		
Loans receivable (note 9)	**7,021**	7,462
Property, plant and equipment (note 12)	**435,311**	413,287
Intangible assets (note 13)	**202,736**	130,216
Investments in joint ventures (note 14)	**–**	17,276
Investments in associates (note 15)	**19,165**	–
Deferred income taxes (note 35)	**39,019**	48,480
Other assets (note 16)	**26,889**	17,830
Goodwill (note 17)	**396,201**	298,819
	1,126,342	933,370
	$ 1,939,970	$ 1,651,928
LIABILITIES AND EQUITY		
Current Liabilities		
Bank indebtedness (note 20)	**$ 4,685**	$ 5,229
Accounts payable and accrued liabilities (note 21)	**252,443**	230,974
Provisions (note 22)	**14,974**	15,971
Income taxes payable	**33,944**	61,911
Derivative financial instruments (note 26)	**794**	1,632
Deferred revenue	**102,005**	84,396
Obligations under finance lease (note 28)	**1,222**	487
Other current liabilities (note 23)	**24,828**	33,852
	434,895	434,452
Liabilities directly associated with the assets classified as held for sale (note 19)	**–**	16,617
	434,895	451,069
Non-current Liabilities		
Long-term debt (note 24)	**406,926**	374,381
Obligations under finance lease (note 28)	**12,273**	13,827
Provisions (note 22)	**37,350**	37,646
Employee future benefits (note 25)	**26,008**	25,678
Deferred income taxes (note 35)	**24,007**	68,857
Other non-current liabilities (note 23)	**17,898**	21,889
	524,462	542,278
	959,357	993,347
Equity		
Share capital (note 29)	**533,660**	303,327
Contributed surplus	**14,625**	13,093
Retained earnings	**433,177**	373,574
Non-controlling interests	**7,254**	2,419
Accumulated other comprehensive loss	**(8,103)**	(33,832)
	980,613	658,581
	$ 1,939,970	$ 1,651,928

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

John F. Petch

John F. Petch, DIRECTOR

Stephen M. Orr, DIRECTOR

ShawCor Ltd.

Consolidated Statements of Income

For the years ended December 31:

(in thousands of Canadian dollars, except per share amounts)		**2014**		2013
Revenue				
Sale of products	**$**	**613,067**	$	451,833
Rendering of services		**1,276,962**		1,395,716
		1,890,029		1,847,549
Cost of Goods Sold and Services Rendered		**1,166,319**		1,058,946
Gross Profit		**723,710**		788,603
Selling, general and administrative expenses		**375,153**		382,755
Research and development expenses		**13,053**		15,687
Foreign exchange gains		**(3,747)**		(4,936)
Amortization of property, plant and equipment (note 12)		**55,219**		66,484
Amortization of intangible assets (note 13)		**15,587**		10,312
Gain on sale of land		**(609)**		(5,156)
Impairment (note 18)		**120,378**		–
Income from Operations		**148,676**		323,457
Gain (loss) on assets held for sale		**6,427**		(3,683)
Loss from investments in joint ventures (note 14)		**(22,375)**		(3,874)
Income from investments in associates (note 15)		**877**		–
Finance costs, net (note 33)		**(18,401)**		(14,912)
Income Before Income Taxes		**115,204**		300,988
Income taxes (note 35)		**21,010**		78,402
Net Income	**$**	**94,194**	$	222,586
Net Income Attributable to:				
Shareholders of the Company		**94,861**		219,862
Non-controlling interests		**(667)**		2,724
Net Income	**$**	**94,194**	$	222,586
Earnings per Share				
Basic (note 34)	**$**	**1.55**	$	3.55
Diluted (note 34)	**$**	**1.53**	$	3.51
Weighted Average Number of Shares Outstanding (000s)				
Basic (note 34)		**61,374**		61,972
Diluted (note 34)		**61,819**		62,646

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

ShawCor Ltd.

Consolidated Statements of Comprehensive Income

For the years ended December 31:

(in thousands of Canadian dollars)		**2014**		2013
Net Income	**$**	**94,194**	$	222,586
Other Comprehensive Income				
Other Comprehensive Income to be Reclassified to Net Income in Subsequent Periods				
Exchange differences on translation of foreign operations		**22,462**		14,819
Other comprehensive income (loss) attributable to investments in joint ventures		**3,657**		(3,998)
Other comprehensive income attributable to investments in associates		**334**		–
Loss on cash flow hedge		**–**		(6,880)
Net Other Comprehensive Income to be Reclassified to Net Income in Subsequent Periods		**26,453**		3,941
Other Comprehensive (Loss) Income not to be Reclassified to Net Income in Subsequent Periods				
Actuarial (loss) gain on defined employee future benefit plans (note 25)		**(633)**		16,311
Income tax recovery (expense)		**152**		(4,103)
Net Other Comprehensive (Loss) Income not to be Reclassified to Net Income in Subsequent Periods		**(481)**		12,208
Other Comprehensive Income, Net of Income Taxes		**25,972**		16,149
Total Comprehensive Income	**$**	**120,166**	$	238,735
Comprehensive Income Attributable to:				
Shareholders of the Company		**120,590**		235,985
Non-controlling interests		**(424)**		2,750
Total Comprehensive Income	**$**	**120,166**	$	238,735

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ShawCor Ltd.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013:

(in thousands of Canadian dollars)	Share Capital	Contributed Surplus	Retained Earnings	Non-controlling Interests	Accumulated Other Comprehensive Loss	Total Equity
Balance - December 31, 2012	**$ 221,687**	**$ 17,525**	**$ 799,741**	**$ (331)**	**$ (49,955)**	**$ 988,667**
Net income	–	–	219,862	2,724	–	222,586
Other comprehensive income	–	–	–	26	16,123	16,149
Comprehensive income	–	–	219,862	2,750	16,123	238,735
Proceeds from exercise of stock options	19,599	–	–	–	–	19,599
Compensation cost on exercised options	7,579	(7,579)	–	–	–	–
Compensation cost on exercised RSUs	24	(24)	–	–	–	–
Stock-based compensation expense	–	3,171	–	–	–	3,171
Cancellation of Class B shares	54,438	–	(553,215)	–	–	(498,777)
Shares cancellation costs (net of income tax benefit of $1.5 million) (note 29)	–	–	(4,312)	–	–	(4,312)
Dividends paid to shareholders (note 29)	–	–	(88,502)	–	–	(88,502)
Balance - December 31, 2013	**$ 303,327**	**$ 13,093**	**$ 373,574**	**$ 2,419**	**$ (33,832)**	**$ 658,581**
Net income (loss)	–	–	94,861	(667)	–	94,194
Other comprehensive income	–	–	–	243	25,729	25,972
Comprehensive income	–	–	94,861	(424)	25,729	120,166
Proceeds from issuance of shares (net of commissions and share issuance costs of $9.7 million) (note 29)	220,524	–	–	–	–	220,524
Proceeds from exercise of stock options	7,167	–	–	–	–	7,167
Compensation cost on exercised options	2,590	(2,590)	–	–	–	–
Compensation cost on exercised RSUs	52	(52)	–	–	–	–
Stock-based compensation expense	–	4,174	–	–	–	4,174
Dividends paid to shareholders (note 29)	–	–	(35,258)	–	–	(35,258)
Disposal of non-controlling interests in subsidiary	–	–	–	5,548	–	5,548
Purchase of non-controlling interests	–	–	–	(289)	–	(289)
Balance - December 31, 2014	**$ 533,660**	**$ 14,625**	**$ 433,177**	**$ 7,254**	**$ (8,103)**	**$ 980,613**

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

ShawCor Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31:

(in thousands of Canadian dollars)		2014		2013
Operating Activities				
Net income for the year	**$**	**94,194**	$	222,586
Add (deduct) items not affecting cash				
Amortization of property, plant and equipment (note 12)		**55,219**		66,484
Amortization of intangible assets (note 13)		**15,587**		10,312
Amortization of long-term prepaid expenses		**1,319**		807
Impairment (note 18)		**120,378**		–
Decommissioning obligations expense (note 22)		**462**		395
Other provision expenses (note 22)		**14,470**		22,136
Stock-based and incentive-based compensation (note 30)		**15,487**		23,594
Deferred income taxes (note 35)		**(37,430)**		(14,959)
Loss on disposal of property, plant and equipment		**1,018**		538
Gain on sale of land		**(609)**		(5,156)
Unrealized (income) loss on derivative financial instruments		**(5,792)**		3,070
Loss from investments in joint ventures		**22,375**		3,874
Income from investments in associates		**(877)**		–
(Income) loss on assets held for sale (note 19)		**(6,427)**		3,683
Other		**(640)**		825
Settlement of decommissioning liabilities (note 22)		**(215)**		(817)
Settlement of other provisions (note 22)		**(16,824)**		(19,449)
Decrease in non-current deferred revenue		**–**		(64,392)
Net change in employee future benefits (note 25)		**33**		(20,994)
Change in non-cash working capital and foreign exchange		**(83,743)**		(200,273)
Cash Provided by Operating Activities	**$**	**187,985**	$	32,264
Investing Activities				
Decrease (increase) in loans receivable (note 9)		**2,978**		(2,630)
Decrease in short-term investments		**6,068**		71,332
Purchases of property, plant and equipment (note 12)		**(77,645)**		(76,729)
Proceeds on disposal of property, plant and equipment		**3,462**		8,539
Purchases of intangible assets (note 13)		**(480)**		(522)
Investments in joint ventures (note 14)		**–**		(7,398)
Proceeds from sale of assets held for sale		**46,411**		–
Payment of deferred purchase consideration		**(18,830)**		–
Investments in associates		**(18,031)**		–
Increase in other assets (note 16)		**(10,495)**		(495)
Purchase of non-controlling interest		**(289)**		–
Business acquisitions (note 7)		**(280,955)**		(30,163)
Cash Used in Investing Activities	**$**	**(347,806)**	$	(38,066)
Financing Activities				
Decrease in bank indebtedness (note 20)		**(544)**		(461)
Decrease in loans payable		**(65)**		(772)
Payment of obligations under finance lease (note 28)		**(1,361)**		(900)
Proceeds from long-term debt (note 24)		**–**		356,280
Proceeds from interest rate swap		**–**		2,111
Issuance of shares (note 29)		**227,691**		19,599
Repurchase of shares (note 29)		**–**		(503,089)
Dividends paid to shareholders (note 29)		**(35,258)**		(88,502)
Cash Provided by (Used in) Financing Activities	**$**	**190,463**	$	(215,734)
Effect of Foreign Exchange on Cash and Cash Equivalents		**6,519**		15,950
Net Increase (Decrease) in Cash and Cash Equivalents for the Year		**37,161**		(205,586)
Cash and Cash Equivalents – Beginning of Year		**79,395**		284,981
Cash and Cash Equivalents – End of Year	**$**	**116,556**	$	79,395
Supplemental Information				
Cash interest paid	**$**	**16,727**	$	10,241
Cash interest received	**$**	**1,049**	$	1,180
Cash income taxes paid	**$**	**99,756**	$	59,845

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate Information

ShawCor Ltd. is a publicly listed company incorporated in Canada with its shares listed on the Toronto Stock Exchange. ShawCor Ltd., together with its wholly owned subsidiaries (collectively referred to as the "Company" or "ShawCor"), is a growth oriented, global energy services company serving the Pipeline and Pipe Services and the Petrochemical and Industrial segments of the energy industry. The Company operates nine divisions with over 90 manufacturing and service facilities located around the world. Further information as it pertains to the nature of operations is set out in note 6.

The head office, principal address and registered office of the Company is 25 Bethridge Road, Toronto, Ontario, M9W 1M7, Canada.

2 Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, applicable to the preparation of financial statements.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at December 31, 2014.

Basis of Presentation and Consolidation

The consolidated financial statements have been prepared on the historical cost basis, except for certain current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3.

The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except when otherwise stated.

The consolidated financial statements comprise the financial statements of the Company and the entities under its control and the Company’s equity accounted interests in joint ventures and associates.

The preparation of consolidated 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 to the consolidated financial statements are disclosed in note 3.

The results of the subsidiaries acquired during the period are included in the consolidated financial statements from the date of the acquisition. Adjustments are made, where necessary, to the financial statements of the subsidiaries and joint arrangements and associates to ensure consistency with those policies adopted by the Company. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

The audited consolidated financial statements and accompanying notes for the year ended December 31, 2014 were authorized for issue by the Company's Board of Directors on March 4, 2015.

3 Summary of Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with IFRS. The more significant accounting policies are as follows:

a) Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Company's subsidiaries, joint arrangements and associates are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements of the Company are presented in Canadian dollars, which is the parent company's presentation and functional currency.

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign functional currencies are recognized in the consolidated statements of income, except when deferred in other comprehensive income as qualifying net investment hedges.

Translation of Foreign Operations

The results and financial position of all the Company's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- income and expenses for each consolidated statement of income are translated at the average exchange rates for the period.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statements of income as part of the gain or loss on sale.

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

b) Business Combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Acquisition transaction costs and any restructuring costs are charged to the consolidated statements of income in the period in which they are incurred.

For an acquisition achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the aggregate consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

c) Interest in Joint Ventures

The Company has interests in joint arrangements, whereby joint control of the respective legal entity has been established by contractual agreements that establish joint control over the economic activities of the entity. The Company accounts for its interests in its joint ventures using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The aggregate of the Company's share of profit or loss of a joint venture is shown on the face of the consolidated statements of income and is excluded from income from operations. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. If there is evidence that the investment in the joint venture is impaired, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as "loss from investments in joint ventures" in the consolidated statements of income.

A listing of all joint ventures is presented in note 14.

d) Investments in Associates

The Company accounts for investments in which it has significant influence using the equity method and these investments are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee, after the date of acquisition.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associates. If there is evidence that the investment in the associate is impaired, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as "loss on investment in associate" in the consolidated statements of income.

A listing of all associates is presented in note 15.

e) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and net of taxes or duty.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of Services

Revenue from pipe coating, inspection, repair and other services provided in respect of customer-owned property is recognized as services are performed under specific contracts. Revenue on these contracts is recognized using the percentage-of-completion method using output as a measure of performance. Losses, if any, on these contracts are provided for in full at the time such losses are identified.

Services performed in advance of billings are recorded as unbilled revenue pursuant to the contractual terms. In general, amounts become billable upon the achievement of certain milestones or in accordance with predetermined payment schedules. Changes in the scope of work are not included in net revenue until earned and realization is assured.

f) Cash and Cash Equivalents

Cash and cash equivalents consist of balances with banks and other short-term highly liquid investments with original maturity dates on acquisition of 90 days or less. The amounts presented in the consolidated financial statements approximate the fair value of cash and cash equivalents.

g) Short-term Investments

Short-term investments consist of liquid financial instruments with a maturity date greater than 90 days and less than one year.

h) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis, except in certain project based pipe coating businesses where the average cost basis is employed, and includes direct materials, direct labour and variable and fixed manufacturing overheads. Net realizable value for finished goods, work-in-process and raw materials inventories required for production is the estimated amount that would be realized on eventual sale of completed products, less the estimated costs necessary to complete the sale, while for excess raw materials it is the current market price. Ownership of inbound inventories is recognized at the time title passes to the Company.

i) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost less accumulated amortization and accumulated impairment. Direct costs are included in the asset's carrying amount, such as borrowing costs for long-term construction projects, major inspections and component replacements, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. For component replacements, the carrying amount of the replaced part is derecognized.

All other repair and maintenance costs are recognized in the consolidated statements of income during the financial period in which they are incurred. The expected cost for the decommissioning and remediation of an asset is included in the cost of the respective asset if the recognition criteria are met.

Property, plant and equipment, other than land and project-related facilities and equipment, are amortized over their useful lives commencing when the asset is available for use on a straight-line basis at the following annual rates:

- 100% for land improvements;
- 3% to 10% on buildings;
- 5% to 50% on machinery and equipment; and
- Project related facilities and equipment are amortized over the estimated project life.

An item of property, plant and equipment is derecognized when no further economic benefits are expected from its use or disposal. Any gains or losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds or the net recoverable amount, and the carrying value of the asset) is included in the consolidated statements of income in the year the asset is derecognized.

The assets' residual values, useful lives and methods of amortization are reviewed at the end of each reporting period and adjusted prospectively if appropriate.

j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

k) Intangible Assets

Intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the consolidated statements of income during the period in which they are incurred.

Intellectual Property and Intangible Assets with Limited Lives

Intellectual property and intangible assets with limited lives are amortized over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is recorded on a straight-line basis over their estimated useful lives of up to 15 years. The amortization period and the amortization method are reviewed at least at each year-end and adjusted prospectively if appropriate.

Intangible Assets with Indefinite Lives

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, or when there is an indication that the asset may be impaired either individually or at the Cash Generating Unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable; if not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the consolidated statements of income when the asset is derecognized.

l) Impairment of Non-financial Assets

Assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment or when there is an indication that the asset may be impaired.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped into CGUs at the lowest levels for which there are separately identifiable independent cash flows. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment whenever reversal indicators exist.

m) Goodwill

Goodwill represents the excess of the purchase price of the Company's interest in subsidiary entities over the fair value of the underlying net identifiable tangible and intangible assets arising at the date of acquisition.

Goodwill is deemed to have an indefinite life and is tested annually for impairment or when there is an indicator of impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, but are not allocated above the operating segment level at which management monitors the recovery of goodwill.

Gains and losses on the disposal of a CGU or component of a CGU include the carrying amount of goodwill relating to the entity sold.

n) Employee Future Benefits

The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The employee future benefits liability recognized on the consolidated balance sheets, in respect of the defined benefit pension plans, represents the deficit position for those defined benefit plans, whose defined benefit obligation exceeds that pension plan's assets. The Company has included in other assets the net surplus position of those defined benefit plans whose pension plan assets exceed the defined benefit obligation.

The defined benefit obligation is determined by independent actuaries using the projected benefit method pro-rated on service. The defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity matching the terms of the related defined benefit arrangements. Plan assets are valued at quoted market prices at the consolidated balance sheet dates.

Past service costs arising from plan amendments are fully recognized in income when the plan amendment or curtailment occurs, or when related restructuring costs or termination benefits are recognized, whichever comes first.

Actuarial gains and losses resulting from experience adjustments and the effect of changes in actuarial assumptions, and actual returns on plan assets, as compared to returns using interest rates of high quality corporate bonds, are recognized in other comprehensive income in the period in which they arise.

For the Company's defined contribution plans, costs are determined based on the services provided by the Company's employees and are recognized in the consolidated statements of income as those services are provided.

o) Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Leases in which substantially all of the benefits and risks of ownership are not transferred by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statements of income on a straight-line basis over the period of the lease.

p) Trade and Other Receivables

Impairment of trade and other receivables is constantly monitored. Impairments are based on observed customer solvency, the aging of trade and other receivables, historical values and customer specific and industry risks. External credit ratings as well as bank and trade references are reviewed when available.

q) Provisions

A provision is an accrued liability, legal or constructive, resulting from a past event and uncertainty with respect to either the timing or amount. Provisions must be probable and should be measurable to be recognized, and are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance costs in the consolidated statements of income.

r) Financial Instruments

Financial assets recorded at fair value through profit or loss include financial assets held for trading or meeting specified criteria and designated upon initial recognition at fair value through profit or loss as appropriate.

Held-to-maturity financial assets, loans and receivables and other liabilities not held for trading are accounted for at amortized cost.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale by the Company or do not fall into another category. Available-for-sale financial assets are carried on the consolidated balance sheets at fair value with gains or losses from changes in fair value in a period included in other comprehensive income.

Financial assets are recognized initially at fair value.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss, or loans and borrowings.

Financial liabilities classified as fair value through profit or loss includes derivative financial instruments. Any changes in fair value are recognized through the consolidated statements of income.

Loans and borrowings are initially recorded at fair value less any directly attributable transaction costs. After initial recognition, these liabilities are subsequently measured at amortized cost using the effective interest rate method.

The following is a summary of the classes of financial instruments included in the Company's consolidated balance sheets as well as their designation by the Company:

Balance Sheet Item	**Designation**
Cash and cash equivalents	Fair value through profit or loss
Short-term investments	Held-to-maturity
Trade accounts receivable	Loans and receivables
Loans receivable	Loans and receivables
Convertible preferred shares	Available-for-sale
Guaranteed deposits	Available-for-sale
Derivative financial instruments	Fair value through profit or loss
Bank indebtedness	Loans and borrowings
Loans payable	Loans and borrowings
Accounts payable	Loans and borrowings
Deferred purchase consideration	Loans and borrowings
Long-term debt	Loans and borrowings

Derivative Financial Instruments

The Company's policy is to document its risk management objectives and strategy for undertaking various derivative financial instrument transactions. Derivative financial instruments designated as effective net investment hedges are reflected in the consolidated balance sheets at fair value, with any gains or losses resulting from fair value changes included in other comprehensive income to the extent of hedge effectiveness. Derivative financial instruments not designated as part of a formal hedging relationship are carried at fair value in the consolidated balance sheets, with gains or losses resulting from changes in fair value in a period charged or credited to net income in the consolidated statements of income.

Fair Value

Financial instruments measured or disclosed at fair value are categorized into one of the following three hierarchy levels for disclosure purposes:

- Level 1 Quoted prices in active markets for identical instruments that are observable
- Level 2 Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data
- Level 3 Valuations derived from valuation techniques in which one or more significant inputs are unobservable

The hierarchy requires the use of observable market data when available.

Derecognition

Financial assets are derecognized where the contractual rights to the receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset.

Financial liabilities are derecognized where the related obligations are either discharged, cancelled, or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognized in the consolidated statements of income in the period in which it is incurred.

Impairment

Financial assets carried at amortized cost are assessed at each reporting date for any potential impairment. If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted using the original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment and the impairment loss is recognized in the consolidated statements of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statements of income.

Transaction Costs

Transaction costs associated with financial assets carried at fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

s) Share-based and Other Incentive-based Compensation

The Company has various stock-based compensation plans. The Company recognizes compensation expense in respect of all of its stock-based compensation plans. The compensation expense for equity settled awards is equal to the estimated fair value, based on an appropriate pricing model, of the incentive options, rights or units granted at the grant date, and is amortized over the vesting period of the incentive options, rights or units.

In accordance with IFRS, for each award of stock-based compensation that vests in installments, the fair value is determined on each installment as a separate award. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Company revises its estimates of the number of options, rights or incentive units that are expected to vest based on the non-market vesting conditions.

For options, units or rights that are settled with equity, an amount equal to compensation expense is initially credited to contributed surplus as the expense is recognized and transferred to share capital if and when the option, unit or right is exercised.

Consideration received on the exercise of a stock option, right or unit is credited to share capital, when additional equity instruments are issued. Options, units or rights that are settled with cash are classified as liability instruments in accordance with IFRS, as their terms require that they be settled in cash.

Awards where the employee has the right to choose whether a share-based transaction is settled in cash or by issuing equity are accounted for as liabilities on the consolidated balance sheets.

For cash-settled awards, the fair value of the liability is recalculated at each consolidated balance sheet date until the awards are settled based on the estimated number of awards that are expected to vest, adjusting for market and non-market based performance conditions. During the vesting period, a liability is recognized representing the portion of the vesting period that has expired at the consolidated balance sheet date multiplied by the fair value of the awards at that date. After vesting, the full fair value of the unsettled awards at each balance sheet date is recognized as a liability. Movements in the liability are recognized in the consolidated statements of income. The fair value is recalculated using an option pricing model.

t) Research and Development Costs

In accordance with *IAS 38, Intangible Assets*, research and development costs are charged to the consolidated statements of income, except for development costs, which are capitalized as an intangible asset when the following criteria are met:

- the project is clearly defined and the costs are separately identified and reliably measured;
- the technical feasibility of the project is demonstrated;
- the project will generate future economic benefit;
- resources are available to complete the project; and
- the project is intended to be completed.

The intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset commences when development has been completed and the asset is available for use. It is amortized over the period of expected future benefit, generally between three to ten years. During the periods following completion of development, the asset is tested for impairment annually. All other development costs are charged to the consolidated statements of income.

u) Income Taxes

Income tax expense for the period comprises current and deferred income taxes. Income taxes are recognized in the consolidated statements of income, except to the extent that they relate to items recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet dates in the countries where the Company and its subsidiaries operate and generate taxable income.

The Company accounts for income taxes using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income taxes are not accounted for if they arise from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current income tax balances on a net basis.

Investment tax credits relating to the acquisition of assets are accounted for using the cost reduction approach, reducing the cost of the asset acquired or amortized into income over the useful life of the asset.

v) Earnings Per Share ("EPS")

Basic EPS is calculated using the weighted average number of shares outstanding during the period.

Diluted EPS is calculated using the treasury stock method for determining the dilutive effect of outstanding financial instruments issued under the Company's various stock-based compensation plans. Under this method, the conversion of dilutive financial instruments and related issue of shares is assumed at the beginning of the period (or at the time of award, if later).

The proceeds from the conversion or exercise of dilutive financial instruments plus future period compensation expenses are assumed to be used to purchase common shares at the average market price during the period, and the incremental number of shares (the difference between the number of shares assumed issued and assumed purchased) is included in the denominator of the diluted EPS computation.

w) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker ("CODM"). The CODM is responsible for allocating resources and assessing the performance of the operating segments, and has been identified as the Chief Executive Officer of the Company.

x) Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical estimates used in preparing the consolidated financial statements include:

Long-lived Assets and Goodwill

The Company evaluates the carrying values of the groups of CGUs containing goodwill on an annual basis on October 31 of each year to determine whether or not impairment of these assets has occurred and whether write-downs of the value of these assets are required. Similarly, the Company evaluates the carrying values of CGUs for long-lived assets whenever circumstances arise that could indicate impairment or reversal of impairment, at each reporting date. These impairment tests include certain assumptions regarding discount rates and future cash flows generated by these assets in determining the value-in-use and fair value less costs to sell calculations. Actual results could differ from these assumptions.

Employee Future Benefit Obligations

The Company provides future benefits to its employees under a number of defined benefit arrangements. The calculation of the defined benefit obligation recognized in the consolidated financial statements includes a number of assumptions regarding discount rates, rates of employee compensation increases, rates of inflation, and life expectancies. The outcome of any of these factors could differ from the estimates used in the calculations and have an impact on operating expenses, non-current assets and non-current liabilities.

Provisions and Contingent Liabilities

Provisions and liabilities for legal and other contingent matters are recognized in the period when it becomes probable that there will be a future outflow of economic benefits resulting from past operations or events and the amount of the cash outflow can be reliably measured. The timing of recognition and measurement of the provision requires the application of judgment to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

The Company is required to determine whether a loss is probable based on judgment and interpretation of laws and regulations and whether the loss can be reliably measured. When a loss is determined, it is charged to the consolidated statements of income. The Company must continually monitor known and potential contingent matters and make appropriate provisions by charges to income when warranted by circumstances.

Decommissioning Liabilities

Decommissioning liabilities include legal and constructive obligations related to owned and leased facilities. These have been recorded in the consolidated financial statements based on estimated future amounts required to satisfy these obligations. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a current pre-tax risk free rate. A corresponding asset equal to the present value of the initial estimated liability is capitalized as part of the cost of the related long-lived asset. Changes in the estimated liability resulting from revisions to estimated timing or future decommissioning cost estimates are recognized as a change in the decommissioning liability and the related long-lived asset. The amount capitalized in property, plant and equipment is depreciated on a straight-line basis over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statements of income.

Actual expenditures incurred are charged against the accumulated decommissioning liability.

Income Taxes

The recording of income tax expense includes certain estimations related to the impact in the current year of future events. Differences between the estimated and actual impact of these events could impact tax expense, current taxes payable or deferred taxes. In particular, earnings and losses in foreign jurisdictions may be taxed at rates different from those expected in Canada.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and tax expense already recorded. The Company establishes liabilities, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such liabilities is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the respective companies.

4 Accounting Standards Issued but Not Yet Applied

IFRS 9 – Financial Instruments

IFRS 9, as issued, by the International Accounting Standards Board ("IASB") replaces *IAS 39* regarding the recognition and measurement of financial assets and financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of this standard on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15*, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. *IFRS 15* is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

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

In May 2014, the IASB issued amendments to *IAS 16* and *IAS 38*, prohibiting the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. The Company is in the process of reviewing the amendments to determine the impact on the consolidated financial statements.

5 New Accounting Standards Adopted

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. *IFRIC 21* is effective for annual periods beginning on or after January 1, 2014. The Company's adoption of *IFRIC 21* did not have a material financial impact on the Company's consolidated financial statements.

6 Segment Information

ShawCor's operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the CODM in monitoring segment performance and allocating resources between segments. The CODM assesses segment performance based on segment operating income or loss, which is measured differently than income from operations in the consolidated financial statements. Income taxes are managed at a consolidated level and are not allocated to the reportable operating segments.

As at December 31, 2014, the Company had two reportable operating segments: Pipeline and Pipe Services and Petrochemical and Industrial. Inter-segment transactions between Pipeline and Pipe Services and Petrochemical and Industrial are accounted for at negotiated transfer prices. The aggregation of the reportable segments is based on the customer and markets that the Company serves.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment comprises the following business units:

- Bredero Shaw, which provides pipe coating, lining and insulation products;
- Socotherm, which provides pipe coating, lining and insulation products;
- Canusa - CPS, which manufactures heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications;
- Flexpipe Systems, which provides spoolable composite pipe systems;
- Guardian, which provides oilfield tubular management services and inspection, testing and refurbishment of oilfield tubular products;
- Shaw Pipeline Services, which provides ultrasonic and radiographic weld inspection services for land and marine pipeline construction; and
- Desert NDT, which provides non-destructive testing services for new oil and gas gathering pipelines and infrastructure integrity management services.

Petrochemical and Industrial

The Petrochemical and Industrial segment comprises the following business units:

- ShawFlex, which manufactures wire and cable for process instrumentation and control applications; and
- DSG-Canusa, which manufactures heat-shrinkable tubing for automotive, electrical, electronic and utility applications.

Financial and Corporate

The financial and corporate division for ShawCor does not meet the definition of a reportable operating segment as defined in IFRS, as it does not earn revenue.

Segment

The following table sets forth information by segment for the years ended December 31:

(in thousands of Canadian dollars)	**Pipeline and Pipe Services**		**Petrochemical and Industrial**		**Financial and Corporate**		**Eliminations and Adjustments**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Revenue										
External	$ **1,713,363**	1,686,381	$ **176,666**	161,168	$ **–**	–	$ **–**	–	$ **1,890,029**	1,847,549
Inter-segment	**3,426**	1,387	**367**	1,281	**–**	–	**(3,793)**	(2,668)	–	–
	$ **1,716,789**	1,687,768	$ **177,033**	162,449	$ –	–	$ **(3,793)**	(2,668)	$ **1,890,029**	1,847,549
Operating expense	$ **1,360,464**	1,238,862	$ **146,505**	138,085	$ **34,549**	62,486	$ **(3,793)**	(2,668)	$ **1,537,725**	1,436,765
Research and development expenses	**10,794**	12,446	**1,136**	1,452	**1,123**	1,789	–	–	**13,053**	15,687
Amortization of property, plant and equipment	**50,085**	62,499	**3,251**	2,336	**1,883**	1,649	–	–	**55,219**	66,484
Amortization of intangible assets	**15,587**	10,312	–	–	–	–	–	–	**15,587**	10,312
Gain on sale of land	–	(5,156)	**(609)**	–	–	–	–	–	**(609)**	(5,156)
Income (loss) from operations for CODM	$ **279,859**	368,805	$ **26,750**	20,576	$ **(37,555)**	(65,924)	$ –	–	$ **269,054**	323,457
Impairment	**120,378**	–	–	–	–	–	–	–	**120,378**	–
Income (loss) from operations	$ **159,481**	368,805	$ **26,750**	20,576	$ **(37,555)**	(65,924)	$ –	–	$ **148,676**	323,457
Gain (loss) on assets held for sale	**6,427**	(3,683)	–	–		–	–	–	**6,427**	(3,683)
Loss from investments in joint ventures	**(22,375)**	(3,874)	–	–		–	–	–	**(22,375)**	(3,874)
Income from investments in associates	**57**	–	–	–	**820**	–	–	–	**877**	–
Interest income	**839**	727	**2**	2	**388**	427	–	–	**1,229**	1,156
Interest expense and other finance costs	**(3,069)**	(5,355)	**(12)**	(86)	**(16,549)**	(10,627)	–	–	**(19,630)**	(16,068)
Income (loss) before income taxes	**141,360**	356,620	**26,740**	20,492	**(52,896)**	(76,124)	–	–	**115,204**	300,988
Income tax expense		–		–	**(21,010)**	(78,402)	–	–	**(21,010)**	(78,402)

(in thousands of Canadian dollars)	**Pipeline and Pipe Services**		**Petrochemical and Industrial**		**Financial and Corporate**		**Eliminations and Adjustments**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Additions to property, plant and equipment, net of disposals	$ **70,041**	59,688	$ **1,767**	14,422	$ **1,966**	2,081	$ –	–	$ **73,774**	76,191
Goodwill	**379,510**	281,431	**16,691**	17,388	–	–	–	–	**396,201**	298,819
Total assets	**2,267,366**	1,975,028	**158,936**	180,055	**1,177,262**	796,816	**(1,663,594)**	(1,299,971)	**1,939,970**	1,651,928
Total liabilities	**910,030**	960,223	**86,879**	60,299	**460,734**	425,193	**(498,286)**	(452,368)	**959,357**	993,347

Geographical Information

The following table sets forth information by geographical region for the years ended December 31; the geographic region is determined by the country or location of operation.

(in thousands of Canadian dollars)							**2014**
	Canada	**USA**	**Latin America**	**EMAR**	**Asia Pacific**	**Eliminations**	**Total**
Revenue							
External	**$ 590,446**	**$ 302,770**	**$ 183,196**	**$ 463,108**	**$ 350,509**	**$ –**	**$ 1,890,029**
Inter-segment	**1,774**	**157**	**1,861**	**1**	**–**	**(3,793)**	**–**
Total Revenue	**$ 592,220**	**$ 302,927**	**$ 185,057**	**$ 463,109**	**$ 350,509**	**$ (3,793)**	**$ 1,890,029**
Non-current assets[(a)]	**$ 331,559**	**$ 417,246**	**$ 28,253**	**$ 245,524**	**$ 83,267**	**$ (44,133)**	**$ 1,061,716**

(in thousands of Canadian dollars)							2013
	Canada	USA	Latin America	EMAR	Asia Pacific	Eliminations	Total
Revenue							
External	$ 520,920	$ 248,846	$ 161,627	$ 247,271	$ 668,885	$ –	$ 1,847,549
Inter-segment	2,604	64	–	–	–	(2,668)	–
Total Revenue	$ 523,524	$ 248,910	$ 161,627	$ 247,271	$ 668,885	$ (2,668)	$ 1,847,549
Non-current assets[(a)]	$ 316,626	$ 124,982	$ 71,786	$ 257,931	$ 81,365	$ 15,343	$ 868,033

a) Excluding financial instruments, deferred tax assets and post-employment benefits

7 Acquisition

Desert NDT

On July 8, 2014, the Company completed the acquisition of all of the outstanding shares of Desert NDT, LLC ("Desert"), for total consideration of approximately $281.7 million (US$263.9 million), including an adjustment for changes in working capital. Desert is a Houston-based provider of non-destructive testing ("NDT") services for new oil and gas gathering pipelines and infrastructure integrity management services. Desert operates through 18 branches located in major U.S. oil and gas basins. The acquisition was funded with cash and through available revolving credit facilities.

Significant judgments and assumptions made in the purchase price allocation in the course of the acquisition of Desert include the following:

- For intangible assets associated with customer relationships, the Company based its valuation on the expected future cash flows using the multi-period excess earnings approach. This method employed a discounted cash flow analysis using the present value of the estimated after-tax cash flows expected to be generated from the purchased customer relationships using risk adjusted discount rates and revenue forecasts, as appropriate, based upon management's best estimate.

- The goodwill acquired represents the acquired human capital and the benefits that the Company expects to earn from the acquisition due to expected synergies and other intangible assets that do not meet the criteria for recognition as identifiable intangible assets. Approximately $101.8 million (US$95.4 million) of the goodwill recognised at the date of acquisition is expected to be deductible for income tax purposes.

The following table shows the preliminary purchase price allocation for the acquisition of Desert:

(in thousands of Canadian dollars)		
Consideration		
Cash (net of cash acquired of $2,429)	**$**	**279,266**
Assets acquired at fair value:		
Current assets (excluding cash acquired of $2,429)		**28,114**
Property, plant and equipment		**8,976**
Intangible assets		**126,807**
Current liabilities assumed		**(11,105)**
Deferred income tax liabilities		**(2,193)**
Total identifiable net assets at fair value		**150,599**
Goodwill		**128,667**
	$	**279,266**

The Company is currently finalizing the values associated with the current liabilities and deferred income tax assets and liabilities.

From the date of acquisition, Desert contributed approximately $60.7 million of revenue and $8.2 million of income before interest and income tax to the Company. If the acquisition had been from the beginning of the year, the revenue would have been approximately $121.3 million and the income before interest and income tax, net of intangible amortization of $10.6 million, would have been $16.3 million.

Socotherm Gulf of Mexico

On April 15, 2013, the Company completed the acquisition of the remaining 49% of Socotherm S.p.A's joint venture in the U.S.A. for total consideration of approximately $23 million, excluding the forgiveness of inter-company debt. The joint venture has a strategically located facility in Channelview, Texas which provides anticorrosion and advanced insulation coatings for global offshore applications, including in the Gulf of Mexico and West African markets.

The carrying value of the Company's investment immediately prior to the acquisition of the remaining 49% approximated its fair value.

On acquisition of the remaining 49% of Socotherm's S.p.A.'s joint venture in the U.S.A., on a 100% level, the approximate value of the tangible assets acquired and tangible liabilities assumed was $34.8 million and $9.1 million, respectively. The approximate value of the intangible assets acquired and intangible liabilities assumed was $68.3 million and $13.2 million, respectively.

8 Cash and Cash Equivalents

The following table sets forth the Company's cash and cash equivalents as at:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Cash	**$**	**112,452**	$	78,843
Cash equivalents		**4,104**		552
Total	**$**	**116,556**	$	79,395

9 Loans Receivable

The following table details the long-term loans receivable as at:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Current				
Loan receivable	**$**	**–**	**$**	1,780
		–		1,780
Non-current				
Notes receivable[(a)]	**$**	**4,434**	$	4,014
Loan receivable		**2,587**		3,448
		7,021		7,462
Total	**$**	**7,021**	$	9,242

(a) Long-term notes receivable relate to an amount advanced by the Company to an external party to support the construction of port facilities at a Bredero Shaw plant location in Kabil, Indonesia. Interest is payable semi-annually at U.S. prime plus 0.25%, with principal repayments to be made in four semi-annual instalments beginning no later than March 31, 2018, as set out in the loan agreement terms. As at December 31, 2014, the amount of the note receivable was U.S.$3,813 (December 31, 2013 – U.S.$3,752).

10 Accounts Receivable

The following table sets forth the Company's trade and other receivables as at:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
				Restated
Trade accounts receivables	**$**	**339,990**	$	249,612
Allowance for doubtful accounts (note 26)		**(12,516)**		(11,732)
Unbilled revenue and other receivables		**130,136**		126,104
	$	**457,610**	$	363,984

The following table sets forth the aging of the Company's trade accounts receivable as at:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Current	**$**	**188,545**	$	122,445
Past due 1 to 30 days		**93,123**		54,456
Past due 31 to 60 days		**21,677**		25,952
Past due 61 to 90 days		**8,591**		16,518
Past due for more than 90 days		**28,054**		30,241
Total trade accounts receivable		**339,990**		249,612
Less: allowance for doubtful accounts		**(12,516)**		(11,732)
Trade accounts receivable – net	**$**	**327,474**	**$**	237,880

11 Inventories

The following table sets forth the Company's inventories as at:

(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Raw materials and supplies	**$ 126,763**	$ 134,216
Work-in-progress	**15,003**	13,019
Finished goods	**72,900**	51,498
Inventory obsolescence	**(19,934)**	(17,857)
	$ 194,732	$ 180,876

During 2014, the Company recorded an increase of \$2.1 million (December 31, 2013 – \$5.8 million) in the provision for inventory obsolescence, due to the build-up of certain excess raw materials.

12 Property, Plant and Equipment

The following table sets forth the Company's property, plant and equipment as at the periods indicated:

(in thousands of Canadian dollars)	**Land and Land Improvements**	**Buildings**	**Machinery and Equipment**	**Capital Projects-in-Progress**	**Total**
Cost					
Balance - December 31, 2012	$ 60,178	$ 164,380	$ 581,802	$ 34,981	$ 841,341
Exchange differences	991	15,286	21,637	665	38,579
Additions	2,055	28,069	57,876	(11,271)	76,729
Acquisitions	1,325	7,316	16,238	63	24,942
Assets held for sale	–	96	–	–	96
Decommissioning liabilities and others	(1,344)	(18)	(21)	–	(1,383)
Disposals	(338)	(2,286)	(16,281)	(447)	(19,352)
Balance - December 31, 2013	$ 62,867	$ 212,843	$ 661,251	$ 23,991	$ 960,952
Exchange differences	(3,103)	(2,690)	23,685	(2,437)	15,455
Additions	1,554	4,483	55,368	16,240	77,645
Acquisitions	–	352	10,867	–	11,219
Decommissioning liabilities and others	2,504	122	105	–	2,731
Disposals	–	(1,477)	(8,297)	–	(9,774)
Balance - December 31, 2014	$ **63,822**	**$ 213,633**	**$ 742,979**	**$ 37,794**	**$ 1,058,228**

(in thousands of Canadian dollars)		Land and Land Improvements		Buildings		Machinery and Equipment		Capital Projects-in-Progress		Total
Accumulated Amortization										
Balance - December 31, 2012	$	(16,928)	$	(79,917)	$	(341,456)	$	–	$	(438,301)
Exchange differences		(243)		(6,024)		(19,625)		–		(25,892)
Amortization expense		(364)		(6,286)		(58,664)		–		(65,314)
Decommissioning liabilities and others		150		(110)		(296)		–		(256)
Eliminated on disposal		71		1,597		11,223		–		12,891
Balance - December 31, 2013	$	(17,314)	$	(90,740)	$	(408,818)	$	–	$	(516,872)
Exchange differences		(147)		2,077		(10,325)		–		(8,395)
Amortization expense		(409)		(5,529)		(49,281)		–		(55,219)
Decommissioning liabilities and others		(653)		(147)		(73)		–		(873)
Eliminated on disposal		–		528		5,374		–		5,902
Balance - December 31, 2014	$	**(18,523)**	$	**(93,811)**	$	**(463,123)**	$	–	$	**(575,457)**

(in thousands of Canadian dollars)		Land and Land Improvements		Buildings		Machinery and Equipment		Capital Projects-in-Progress		Total
Accumulated Impairment										
Balance - December 31, 2012	$	(2,496)	$	(7,196)	$	(21,764)	$	–	$	(31,456)
Exchange differences		1		44		(347)		–		(302)
Eliminated on disposal		–		638		327		–		965
Balance - December 31, 2013	$	(2,495)	$	(6,514)	$	(21,784)	$	–	$	(30,793)
Exchange differences		–		125		141		–		266
Impairment		–		(2,664)		(14,269)		–		(16,933)
Balance – December 31, 2014	$	**(2,495)**	$	**(9,053)**	$	**(35,912)**	$	–	$	**(47,460)**
Net book value										
As at December 31, 2012	$	40,754	$	77,267	$	218,582	$	34,981	$	371,584
As at December 31, 2013	$	43,058	$	115,589	$	230,649	$	23,991	$	413,287
As at December 31, 2014	$	**42,804**	$	**110,769**	$	**243,944**	$	**37,794**	$	**435,311**

13 Intangible Assets

The following table sets forth the Company's intangible assets as at the periods indicated:

(in thousands of Canadian dollars)	Intellectual Property, with Limited Life[(a)]	Intangible Assets, with Limited Life[(b)]	Intangible Assets, with Indefinite Life[(c)]	Total
Cost				
Balance - December 31, 2012	$ 78,705	$ 42,271	$ 5,664	$ 126,640
Exchange differences	680	1,099	248	2,027
Additions	96	616	–	712
Acquisition of a subsidiary	–	36,608	–	36,608
Balance - December 31, 2013	$ 79,481	$ 80,594	$ 5,912	$ 165,987
Exchange differences	1,098	14,346	317	15,761
Additions	128	352	–	480
Acquisition of a subsidiary	225	127,032	–	127,257
Balance - December 31, 2014	**$ 80,932**	**$ 222,324**	**$ 6,229**	**$ 309,485**
Accumulated Amortization				
Balance - December 31, 2012	(18,269)	(6,916)	–	(25,185)
Exchange differences	62	(336)	–	(274)
Amortization	(5,325)	(4,987)	–	(10,312)
Balance - December 31, 2013	$ (23,532)	$ (12,239)	$ –	$ (35,771)
Exchange differences	(94)	(321)	–	(415)
Amortization	(4,882)	(10,705)	–	(15,587)
Balance - December 31, 2014	**$ (28,508)**	**$ (23,265)**	**$ –**	**$ (51,773)**
Accumulated Impairment				
Balance - December 31, 2013	–	–	–	–
Exchange differences	382	211	–	593
Impairment	(4,138)	(51,431)	–	(55,569)
Balance - December 31, 2014	**$ (3,756)**	**$ (51,220)**	**$ –**	**$ (54,976)**
Net book value				
As at December 31, 2012	$ 60,436	$ 35,355	$ 5,664	$ 101,455
As at December 31, 2013	$ 55,949	$ 68,355	$ 5,912	$ 130,216
As at December 31, 2014	$ **48,668**	$ **147,839**	$ **6,229**	$ **202,736**

(a) Intellectual property, with limited life, represents the cost of certain technology, know-how and patents obtained mainly through acquisitions. The Company amortizes the cost of intellectual property over its estimated useful life of up to 15 years.

(b) Intangible assets, with limited life, represent customer relationships, trademarks, and non-competition agreements acquired directly or in conjunction with a past business combination. The Company amortizes the cost of intangible assets with limited life over their respective estimated useful lives of up to 15 years. The net book value of customer relationships as at December 31, 2014 is $138.0 million (December 31, 2013 – $67.6 million), and is included in intangible assets with limited life in the table above.

(c) Intangible assets, with indefinite life, represent the value of brands obtained in previous acquisitions. As the Company has the exclusive right to use and benefit from the brands of the acquired companies for an undefined period, certain acquired brands have been classified as intangible assets with indefinite life. As the cost of intangible assets with indefinite life is not amortized, the Company assesses these intangible assets for impairment on an annual basis or when there is an indicator of impairment.

14 Investments in Joint Ventures

The Company uses the equity method to account for the following joint venture interests of the Company as at December 31, 2014 and 2013.

	Country of Incorporation	Activity	December 31 2014 Proportion of Interest Held %	December 31 2013 Proportion of Interest Held %
Hal Shaw Inc.	U.S.A.	Pipe coating	50	50
Shaw & Shaw Ltd.	Canada	Pipe coating	83	83
Helicone Holdings Limited	Russia	Pipe coating	–	25
Socotherm Brasil S.A.[a]	Brazil	Pipe coating	(a)	50
Atlantida Socotherm S.A.[b]	Venezuela	Pipe coating	50	50

(a) As of December 4, 2013, Socotherm Brasil S.A has been accounted for as a held-for-sale investment. Socotherm Brasil S.A. was sold on September 3, 2014.

(b) During the fourth quarter of 2014, the Company recorded an impairment of $18.9 million related to its joint venture interest in Venezuela and is included in loss from investments in joint ventures. The investment in the Company's Venezuela joint venture was impaired due to the accelerated devaluation of the local currency in Venezuela, deteriorating business environment and the significant increase in the uncertainty of the Company to realize cash flows from this joint venture in the future.

The following tables present the Company's share of the assets, liabilities, income and expenses of the joint ventures described above for the years ended and as at December 31, excluding those joint ventures classified as held-for-sale:

(in thousands of Canadian dollars)		**2014**		2013
Current assets	$	–	$	13,625
Non-current assets		–		10,937
Total assets		–		24,562
Current liabilities		–		(5,895)
Non-current liabilities		–		(1,391)
Total Liabilities		–		(7,286)
Carrying amount of the investments in joint ventures	$	–	$	17,276

(in thousands of Canadian dollars)		**2014**		2013
Revenue	$	**9,143**	$	53,553
Cost of goods sold		**6,713**		40,884
Selling, general and administrative expenses		**1,825**		10,204
Foreign exchange losses		**2,498**		47
Amortization expenses		**1,465**		6,357
Finance costs		**443**		1,083
Net loss before income taxes		**(3,801)**		(5,022)
Income tax recovery		**(374)**		(1,148)
Net loss for the year	$	**(3,427)**	$	(3,874)

15 Investments in Associates

On February 20, 2014, ShawCor completed an equity investment in Zedi Inc. ("Zedi"), a Calgary, Alberta based company engaged in end-to-end solutions for production operations management in the oil and gas industry. Zedi has developed and deployed remote field monitoring and related data management solutions for the optimization of oil and gas well production and has recently completed a management buyout through an Alberta court and shareholder approved plan of arrangement. ShawCor's equity investment in Zedi consists of approximately 25% common share interest totalling $13.8 million, which is being accounted for using equity accounting and an investment of $10.0 million in convertible preferred shares, which is accounted for as an available-for-sale investment and classified in other assets on the Company's consolidated balance sheets.

On August 29, 2014, the Company completed an equity investment for a 20% interest in Power Feed-Thru Systems and Connectors, LLC ("PFT") for approximately $2.9 million (U.S. $2.6 million). PFT is a designer and assembler of electric feed-thru connector systems specifically for artificial lift installations in the global Oil and Gas market. Its products are used in oil wells equipped with Electric Submersible Pumps to connect the down-hole oil pump with a surface power supply and it is based in Houston, Texas, U.S.

16 Other Assets

The following table details the other assets as at:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Long-term prepaid expenses	$	**8,302**	$	8,615
Deposit guarantee		**893**		81
Long-term investment		**–**		1,104
Convertible preferred shares (note 15)		**10,000**		–
Defined Pension Plans employee future benefit asset (note 25)		**7,694**		8,030
	$	**26,889**	$	17,830

17 Goodwill

The changes in the carrying amount of goodwill are shown below:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Gross amount of goodwill	$	**298,819**	$	256,296
Accumulated impairment of goodwill		**–**		–
Net Balance - Beginning of year		**298,819**		256,296
Acquisition (note 7)		**128,667**		31,267
Impairment (note 18)		**(47,078)**		–
Foreign exchange		**15,793**		11,256
Net Balance - End of year	$	**396,201**	$	298,819

The following table summarizes the significant carrying amounts of goodwill:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Bredero Shaw (excluding BSRTL as defined below)	$	**173,102**	$	172,406
Thermotite Brasil Ltda & BS Servicios de Injecao (collectively, "BSRTL")		**–**		12,331
Desert NDT		**140,179**		–
Flexpipe Systems		**49,730**		49,730
Socotherm S.p.A.		**9,525**		8,762
Socotherm Americas (Argentina)		**5,094**		4,685
Socotherm Gulf of Mexico, LLC		**–**		31,332
ShawCor CSI		**1,880**		1,880
Guardian		**–**		305
DSG-Canusa GmbH		**16,691**		17,388
	$	**396,201**	$	298,819

a) Impairment Testing for Each Cash Generating Unit Containing Goodwill

The Company performs a goodwill impairment test for each specified group of CGUs ("GCGU") that contains goodwill at the Company's annual goodwill impairment testing date of October 31 ("Annual Goodwill Valuation Date"). On August 31, 2014, the Company also performed an impairment test for its BSRTL CGU ("BSCGU") and concluded that its goodwill was fully impaired. At the Annual Goodwill Valuation Date of October 31, 2014, the Company concluded that there was no impairment of goodwill in any of its GCGUs other than the goodwill in the Company's Socotherm Gulf of Mexico division, which was fully impaired.

b) Recoverable Amount

The Company determines the recoverable amount for its GCGUs as the higher of Value in Use ("VIU") and the Fair Value Less Cost to sell ("FVLCS"). For the goodwill impairment tests, the FVLCS of each of the GCGUs (other than those mentioned in note 17(a) above) was higher than its carrying amount. The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation method used.

FVLCS calculations use post-tax cash flow projections based on three-year financial Business Plans approved by the Company's Board of Directors, which are then projected out for a further period of two years based on management's best estimates. Cash flows beyond the five-year period are extrapolated using estimated growth rates as applicable. The FVLCS is calculated net of selling costs that are estimated at 2%.

The FVLCS is determined by discounting the future free cash flows generated from the Company's continuing use of the respective GCGUs. The discount rates used are post-tax and reflect specific risks relating to the GCGUs. The discounted cash flow model employed by the Company reflects the specific risks of each GCGU and their business environment. The model calculates the FVLCS as the present value of the projected free cash flows and the Terminal Value of each group of GCGU.

The calculation of FVLCS for each GCGU is most sensitive to the following key assumptions:

- Projected Cash Flows
- Market Assumptions
- Discount Rate
- Growth Rate and Terminal Value

Projected Cash Flows

The Projected Cash Flow for each GCGU is derived from the most recently completed three-year Business Plan, which is projected out for a future time period of two years based on management's best estimates. Projected Cash Flow is estimated by adjusting forecasted annual net income (for the forecast period) for non-cash items (such as amortization, accretion, and foreign exchange), investments in working capital and investments in capital assets. Estimating future earnings requires judgment, consideration of past and actual performance, as well as expected developments in the GCGU's respective markets and in the overall macroeconomic environment.

Market Assumptions

The forecasted revenue for a GCGU in the Business Plan is based on that GCGU securing an estimated number of projects. A change in the number of estimated projects to be secured by a GCGU can have a material impact on the projected future cash flows for that particular GCGU. The gross margin for each GCGU in the Business Plan is also dependent on assumptions made about the price of raw materials in the future; a change in the assumptions of these key inputs can have a material impact on the projected future cash flows for a particular GCGU.

Discount Rate

Discount rates represent the current market assessment of the risks specific to each GCGU, regarding the time value of money and the individual risks of the underlying assets, which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its GCGUs and is derived from the weighted average cost of capital ("WACC") for the consolidated Company. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service. GCGU specific risk is incorporated by applying individual specific risk factors; these specific risk factors are evaluated annually.

The following are the discount rates used in the calculation of the impairment tests:

(in thousands of Canadian dollars)	**October 31 2014**	October 31 2013
Bredero Shaw (excluding BSRTL)	**10%**	10%
BSRTL	**14%**	14%
Desert NDT	**11%**	n/a
Flexpipe Systems	**11%**	11%
Socotherm S.p.A (Italy)	**14%**	14%
Socotherm Americas (Argentina)	**18%**	18%
Socotherm Gulf of Mexico, LLC	**12%**	12%
ShawCor CSI	**14%**	14%
DSG-Canusa GmbH	**12%**	12%

Terminal Value Growth Rate

The Terminal Value Growth Rate is used to calculate the Terminal Value of the GCGUs at the end of the Projected Free Cash Flow period of five years. A Terminal Value Growth Rate of 3.0% was used (for all goodwill impairment tests) reflecting terminal growth rate expectation of long-term growth in energy infrastructure investment; this figure also reflects the Company’s best estimate of the set of economic conditions that are expected to exist over the forecast period.

Sensitivity to Changes in Assumptions

With regard to the assessment of FVLCS of all of the Company's GCGUs, except for Socotherm S.p.A. and Socotherm Americas (Argentina), management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, as estimated by the GCGU's FVLCS.

18 Impairment

The following table sets forth the Company's impairment charges for the year ended December 31, 2014:

(in thousands of Canadian dollars)		Bredero Shaw Brasil[(a)]		Socotherm[(b)]		Brigden[(c)]		Other		Total
Impairment of inventory	$	**798**	$	**–**	$	**–**	$	**–**	$	**798**
Impairment of property, plant and equipment		**7,554**		**4,261**		**5,118**		**–**		**16,933**
Impairment of intangible assets		**19,156**		**35,795**		**–**		**618**		**55,569**
Impairment of goodwill		**12,941**		**33,825**		**–**		**312**		**47,078**
Impairment	**$**	**40,449**	**$**	**73,881**	**$**	**5,118**	**$**	**930**	**$**	**120,378**

(a) Bredero Shaw Brasil consists of the business entities Bredero Shaw Rev de Tubos Ltda., Bredero Shaw Brasil Participacoes Ltda. and BS Servicios de Injecao Ltda. (collectively, "BSRTL")
(b) Socotherm consists of the business entity Socotherm Gulf of Mexico, LLC
(c) Brigden consists of a mobile plant in the Gulf of Mexico region

Impairment Testing for the Bredero Shaw Brasil Cash Generating Unit

The Company performed an impairment test for its BSRTL CGU ("BSCGU") as at August 31, 2014. Currently, the BSCGU has been unsuccessful in securing project work to sustain operations at current levels and will have no backlog in Brazil at the beginning of 2015. Beyond 2015, uncertainty regarding Petrobras' development plans for the pre-salt Santos basin has impacted the Company's outlook for the deepwater insulation pipe coating market in Brazil and thus the recoverable amount for BSCGU.

Impairment Testing for the Socotherm Gulf of Mexico Cash Generating Unit

The Company performed an impairment test for its Socotherm Gulf of Mexico CGU ("SGOMCGU") as at October 31, 2014. The write-down of goodwill and intangible assets associated with the Socotherm Gulf of Mexico facility was based primarily on two factors: (i) anticipated market developments in the Gulf of Mexico including the likelihood of project delays as a result of the recent global decline in oil prices, and (ii) the Company's intention to shift non-Gulf of Mexico production from the Channelview, Texas operations to Pozzallo, Italy following the successful launch of production at the Pozzallo facility which is better positioned logistically to service project activity in Europe, the Middle East and Africa.

Impairment of Bridgen Plant in the Gulf of Mexico region

The Company operates a fleet of mobile coating plants in the Pipeline and Pipe Services segment. The Brigden mobile coating plant, has served the Gulf of Mexico from its current location in Beaumont, Texas since its initial commissioning in 2011. While the mobile nature of this plant provides certain cost saving logistical advantages to the customer (versus a fixed base plant), ultimate utilization of this plant within the segment is dependent on having a sufficient level of project backlog. Due to the likelihood of project delays as a result of the recent global decline in oil prices, the carrying amount of the property, plant and equipment was assessed and based on an independent appraisal of fair market value was deemed to be partially impaired.

Recoverable Amount

The Company determined the recoverable amount for its BSCGU and SGOMCGU as the higher of Value in Use ("VIU") and the FVLCS. For the BSCGU and SGOMCGU impairment tests, the FVLCS was higher than its VIU.

FVLCS calculations use post-tax cash flow projections based on three-year financial Business Plans prepared by the Company's management, which are then projected out for a further period of two years based on management's best estimates. Cash flows beyond the five-year period are extrapolated using estimated growth rates as applicable. The FVLCS is calculated net of selling costs that are estimated at 2%.

The FVLCS is determined by discounting the future free cash flows to be generated from the Company's continuing use of the BSCGU and SGOMCGU. The discount rate used is post-tax and reflects specific risks relating to the BSCGU and the

SGOMCGU. The discounted cash flow model employed by the Company reflects the specific risks of the BSCGU and the SGOMCGU and its business environment. The model calculates the FVLCS as the present value of the projected free cash flows and the Terminal Value of the BSCGU and the SGOMCGU.

The calculation of FVLCS for the BSCGU and the SGOMCGU is most sensitive to the following key assumptions:

- Projected Cash Flows
- Market Assumptions
- Discount Rate
- Growth Rate and Terminal Value

Projected Cash Flows

The Projected Cash Flow for the BSCGU and the SGOMCGU is derived from the most recently completed 3-Year Business Plan, which is projected out for a future time period of two years based on management's best estimates. Projected Cash Flow is estimated by adjusting forecasted annual net income (for the forecast period) for non-cash items (such as amortization, accretion, and foreign exchange), investments in working capital and investments in capital assets. Estimating future earnings requires judgment, consideration of past and actual performance, as well as expected developments in the BSCGU's and SGOMCGU respective markets and in the overall macroeconomic environment.

Market Assumptions

The forecasted revenue for the BSCGU and the SGOMCGU in the 3-Year Business Plan is based on securing an estimated number of projects. A change in the number of projects estimated to be secured by the BSCGU and the SGOMCGU can have a material impact on the projected future cash flows. The gross margin for the BSCGU and the SGOMCGU in the Business Plan is also dependent on assumptions made about the price of raw materials in the future; a change in the assumptions of these key inputs can have a material impact on the projected future cash flows.

Discount Rate

The Discount rate represents the current market assessment of the risks specific to the BSCGU and the SGOMCGU, regarding the time value of money and the individual risks of the underlying assets, which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and the BSCGU and the SGOMCGU and is derived from the weighted average cost of capital ("WACC") for the consolidated Company. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service. The BSCGU and the SGOMCGU specific risk is incorporated by applying individual specific risk factors and for the above impairment test a 14% discount rate has been applied for BSCGU and 12% for SGOMCGU.

Growth Rate and Terminal Value

The Terminal Value Growth Rate is used to calculate the Terminal Value of the BSCGU and the SGOMCGU at the end of the Projected Free Cash Flow period of five years. A Terminal Value Growth Rate of 3.0% was used reflecting an expectation of long-term growth in energy infrastructure investment in its market; this figure also reflects the Company’s best estimate of the set of economic conditions that are expected to exist over the forecast period.

Sensitivity to Changes in Assumptions

A two percent increase in the discount rate would have caused the fair value of the BSCGU to decrease by $0.9 million. A one percent increase in the Terminal Value Growth Rate increases the fair value of the BSCGU by $0.1 million.

A two percent increase in the discount rate would have caused the fair value of the SGOMCGU to decrease by $6.1 million. A one percent increase in the Terminal Value Growth Rate increases the fair value of the SCGU by $0.9 million.

19 Assets Classified as Held for Sale

In October 2012, the Company entered into negotiations with its joint venture partners in Arabian Pipecoating Company Ltd. ("APCO"), located in the Kingdom of Saudi Arabia, for the sale of its 30% investment. As at December 31, 2013, the Company's investment in the joint venture has been classified as assets held for sale and liabilities held for sale, respectively.

In the fourth quarter of 2013, the Company entered into an agreement to sell its interest in Socotherm Brasil to its joint venture partner. As a result, its investment in joint venture has been classified as held for sale as at December 31, 2013. A net loss of $5.5 million (including $2.7 million of income tax expense and $1.9 million in non-controlling interest expense) was recorded related to expected proceeds from the sale of Socotherm Brasil.

In 2014, the Company completed the sales of APCO and Socotherm Brazil to its joint venture partners.

The following table shows the major classes of assets and liabilities classified as held for sale as at:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Assets				
Cash	$	–	$	8,036
Accounts receivables		–		9,031
Prepaid expenses		–		1,040
Inventory		–		3,177
Income taxes receivable		–		40
Property, plant and equipment		–		1,968
Intangible assets		–		16,530
Investments in joint venture		–		9,428
Deferred tax assets		–		12
Goodwill		–		6,924
Assets classified as held for sale	$	–	$	56,186
Liabilities				
Accounts payable		–		(5,061)
Accrued liabilities		–		–
Income taxes payable		–		(5,712)
Provisions		–		(1,129)
Deferred income tax liability		–		(4,715)
Liabilities directly associated with assets classified as held for sale		–		(16,617)
Net assets directly associated with disposal groups	$	–	$	39,569

20 Credit Facilities

The following table sets forth the Company’s total credit facilities as at:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Bank indebtedness	$	**4,685**	$	5,229
Standard letters of credit for performance, bid and surety bonds (note 28)		**137,667**		106,206
Total utilized credit facilities		**142,352**		111,435
Total available credit facilities[(a)]		**523,305**		320,910
Unutilized Credit Facilities	$	**380,953**	$	209,475

(a) The Company guarantees the bank credit facilities of its subsidiaries.

On March 20, 2013, the Company renewed its Unsecured Committed Bank Credit Facility ("Credit Facility") for a period of five years, with terms and conditions similar to the prior agreement, except that the maximum borrowing limit was raised by U.S. $100 million from U.S. $150 million to U.S. $250 million, with an option to increase the credit limit to U.S. $400 million with the consent of lenders. On June 16, 2014, the option to increase the credit limit to U.S. $400 million was exercised with the consent of the lenders and a new option to increase the credit limit to U.S. $550 million with the consent of the lenders was added. The Company pays a floating interest rate on this credit facility that is a function of the Company's total debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Allowable credit utilization outside of this facility is U.S. $50 million.

Debt Covenants

The Company has undertaken to maintain certain covenants in respect of the Unsecured Committed Bank Credit Facility. Specifically, the Company is required to maintain an Interest Coverage Ratio (EBITDA plus rental payments divided by interest expense plus rental payments) of more than 2.50 to 1 and a debt to total EBITDA ratio of less than 3.00 to 1. The Company was in compliance with these covenants as at December 31, 2014 and 2013.

21 Accounts Payable and Accrued Liabilities

The following table sets forth the Company’s accounts payables and accrued liabilities as at:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Accounts payables	$	**89,077**	$	91,215
Accrued liabilities		**163,366**		139,759
	$	**252,443**	$	230,974

22 Provisions

The following table sets forth the Company's provisions as at the periods indicated:

(in thousands of Canadian dollars)	Decommissioning Liabilities	Warranties	Other Provisions	Total
Balance - December 31, 2012	$ 21,414	$ 4,247	$ 26,648	$ 52,309
Provision adjustments	(1,401)	4,833	7,080	10,512
Acquisition	245	–	–	245
Settlement of liabilities	(817)	(2,767)	(8,840)	(12,424)
Accretion expense	357	–	–	357
Foreign exchange differences	787	71	1,694	2,552
Loss on settlement	66	–	–	66
Balance - December 31, 2013	$ 20,651	$ 6,384	$ 26,582	$ 53,617
Provision adjustments	2,911	2,142	10,144	15,197
Settlement of liabilities	(215)	(4,331)	(12,493)	(17,039)
Accretion expense	477	–	26	503
Foreign exchange differences	391	260	433	1,084
Gain on settlement	(77)	–	(961)	(1,038)
Balance - December 31, 2014	**$ 24,138**	**$ 4,455**	**$ 23,731**	**$ 52,324**

(in thousands of Canadian dollars)	Decommissioning Liabilities	Warranties	Other Provisions	Total
December 31, 2012				
Current	3,155	4,247	9,426	16,828
Non-current	18,259	–	17,222	35,481
	$ 21,414	$ 4,247	$ 26,648	$ 52,309
December 31, 2013				
Current	3,412	6,384	6,175	15,971
Non-current	17,239	–	20,407	37,646
	$ 20,651	$ 6,384	$ 26,582	$ 53,617
December 31, 2014				
Current	3,627	4,455	6,892	14,974
Non-current	20,511	–	16,839	37,350
	$ 24,138	$ **4,455**	$ **23,731**	**$ 52,324**

Decommissioning Liabilities

The total undiscounted cash flows estimated to settle all decommissioning liabilities is $42.0 million as at December 31, 2014. The current pre-tax risk-free rates at which the estimated cash flows have been discounted range between 0.45% and 9.95%. Settlement for all decommissioning liabilities is expected to be funded by future cash flows from the Company's operations.

The Company expects the following cash outflows on the next five years and thereafter for decommissioning liability remediation.

(in thousands of Canadian dollars)		December 31 2014
2015	$	**3,627**
2016		**4,573**
2017		**907**
2018		**4,464**
2019		**1,165**
More than five years		**27,232**
	$	**41,968**

Warranties

Project specific warranties are provided by various divisions in the normal course of business that are usually valid for a term of less than one year.

Other Provisions

The other provisions are comprised of current and non-current employee related provisions (required by local law in international jurisdictions), provisions for lawsuits and other accrued liabilities related to operations for which there is a higher degree of uncertainty with respect to either the amount or timing of the underlying payment.

23 Other Liabilities

The following table sets forth the Company's other liabilities as at the periods indicated:

(in thousands of Canadian dollars)	Deferred Purchase Consideration	Incentive - based Compensation (note 30)	Loans Payable	Total
Balance - December 31, 2012	$ 19,374	$ 17,705	$ 287	$ 37,366
Adjustments	–	20,422	–	20,422
Settlement of liabilities	–	(4,721)	(121)	(4,842)
Accretion expense	697	–	–	697
Foreign exchange differences	1,547	530	21	2,098
Balance - December 31, 2013	$ 21,618	$ 33,936	$ 187	$ 55,741
Adjustments	1,236	11,313	–	12,549
Settlement of liabilities	(18,830)	(8,629)	(65)	(27,524)
Foreign exchange differences	849	1,112	(1)	1,960
Balance - December 31, 2014	**$ 4,873**	**$ 37,732**	**$ 121**	**$ 42,726**
December 31, 2012				
Current	19,374	12,605	67	32,046
Non-current	–	5,100	220	5,320
	$ 19,374	$ 17,705	$ 287	$ 37,366
December 31, 2013				
Current	21,618	12,173	61	33,852
Non-current	–	21,763	126	21,889
	$ 21,618	$ 33,936	$ 187	$ 55,741
December 31, 2014				
Current	4,873	19,897	58	24,828
Non-current	–	17,835	63	17,898
	$ 4,873	**$ 37,732**	**$ 121**	**$ 42,726**

24 Long-term Debt

On March 20, 2013, the Company issued Senior Notes for total gross proceeds of US$350 million (CDN$358.3 million at the March 20, 2013 foreign exchange rate) to institutional investors as follows:

(i) US $100 million (CDN$102.4 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 2.98% Senior Notes, Series A, due March 31, 2020 (the "Series A Notes");
(ii) US $100 million (CDN$102.4 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 3.67% Senior Notes, Series B, due March 31, 2023 (the "Series B Notes");
(iii) US $100 million (CDN$102.4 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 3.82% Senior Notes, Series C, due March 31, 2025 (the "Series C Notes");
(iv) US $50 million (CDN$51.2 million at the March 20, 2013 foreign exchange rate) aggregate principal amount of 4.07% Senior Notes, Series D, due March 31, 2028 (the "Series D Notes"; and together with the Series A Notes, the Series B Notes, the Series C Notes, collectively, the "Senior Notes").

The total long-term debt balance as at December 31, 2014 is $406.9 million (U.S.$350.0 million) {December 31, 2013 – $374.4 million (U.S.$350.0 million)}. The long-term debt has been designated as a hedge of the Company's net investment in U.S. dollar functional currency subsidiary as described in note 26.

The Company has undertaken to maintain certain covenants in respect of the long-term debt that are consistent with the debt covenants described in note 20 for the Company's Unsecured Committed Bank Credit Facility.

The Company was in compliance with these covenants as at December 31, 2014 and December 31, 2013.

25 Employee Future Benefits

The Company provides future benefits to its employees under a number of defined benefit and defined contribution arrangements. The defined benefit pension plans are in Canada, the U.K. and Norway and include both flat-dollar plans for hourly employees and final earnings plans for salaried employees. The Company also provides a post-employment life insurance benefit to its Canadian retirees and a post-employment benefit to its hourly and salaried employees in Indonesia.

The Company's funding policy for the Canadian registered pension plans is to fund in accordance with the requirements of applicable pension legislation. The determination of the required funding is made on the basis of periodic actuarial valuations as required under applicable pension legislation. The Company is responsible for the governance of the pension plans, including overseeing investment decisions. The Company has also appointed experienced independent professional experts such as investment managers, actuaries and consultants to assist in the management of the pension plans.

By their nature, defined benefit pension plans carry many types of financial risk. The main financial risks faced by the Company's pension plans can be summarized as follows:

- Longevity risk: the risk that retirees will, on average, collect a pension for a longer period of time than expected based on the mortality assumption.
- Investment risk: the risk that the invested assets of the plan will not yield the assumed rate of return, resulting in insufficient assets to provide for the benefits promised and / or requiring the Company to make additional contributions to fund the deficit.
- Interest rate risk: the risk from changing market interest rates. A decrease in corporate bond yields will increase plan liabilities. This risk is greater to the extent that there is a mismatch between the characteristics of the assets and liabilities.
- Regulatory/legal risk: the risk of regulatory/jurisprudence changes that can alter the benefits promised.

The total cash payments made by the Company to fund the defined benefit pension plans, the post-retirement insurance plans and the post-employment benefit plan during 2014 were $4.9 million (2013 – $5.7 million). The total cash payments made by the Company to fund the defined contribution pension arrangements during 2014 were $5.4 million (2013 – $6.7 million).

The Company measures the fair value of assets and the defined benefit obligation as at December 31. Actuarial valuations for the Company's registered defined benefit pension plans and the Supplementary Executive Retirement Plan ("SERP") for Executives of ShawCor Ltd. arrangement are generally required at least every three years. The most recent actuarial valuations of the plans were conducted as at August 1, 2013 (one plan), December 31, 2013 (four plans), January 1, 2014 (two plans) and August 1, 2014 (one plan).

The employee future benefit amounts recognized in the consolidated balance sheets are as follows:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Accrued employee future benefit asset				
Pension plans (note 16)	$	**7,694**	$	8,030
		7,694		8,030
Accrued employee future benefit liability				
Pension plans		**(23,776)**		(23,648)
Post-employment benefits		**(2,124)**		(1,930)
Post-retirement life insurance		**(108)**		(100)
		(26,008)		(25,678)
Net accrued employee future benefit liability	$	**(18,314)**	$	(17,648)

The following was the composition of plan assets at the balance sheet dates, for the Canadian registered defined benefit pension plans:

(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Investments quoted in active markets:		
Cash and cash equivalents	**5%**	4%
Equity instruments	**64%**	66%
Debt instruments	**31%**	30%
	100%	100%

The following was the composition of invested plan assets at the balance sheet dates for the SERP plan[a]:

(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Investments quoted in active markets:		
Cash and cash equivalents	–	–
Equity instruments	**100%**	100%
	100%	100%

a) The amounts in the above table exclude amounts sitting in the refundable tax account held by the CRA.

Actual Return on Plan Assets

The actual return on plan assets for the years ended December 31, 2014 and 2013 amounted to $11.1 million and $15.1 million, respectively.

Employee Future Benefit Cost

The employee future benefit cost recognized in the consolidated statements of income is as follows:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Current service costs	$	**3,856**	$	4,274
Past service costs and impact of settlements, curtailments and termination benefits		**254**		4,833
Interest cost on defined benefit obligation		**5,434**		4,755
Interest income on plan assets		**(4,996)**		(3,630)
		4,548		10,232
Impact of asset ceiling / minimum funding requirement		**368**		104
Defined benefit cost recognized		**4,916**		10,336
Defined contribution cost recognized		**5,442**		6,746
Employee future benefit cost recognized[a]	$	**10,358**	$	17,082

a) The total amount is included in the consolidated statements of income as selling, general and administrative expenses.

The employee future benefit cost (income) recognized in other comprehensive income ("OCI") is as follows:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Valuation effect	$	**29**	$	(202)
Return on plan assets (excluding amounts included in interest income)		**(6,095)**		(11,443)
Net actuarial losses (gains) recognized in the year		**12,395**		(9,311)
Other changes in asset ceiling / minimum funding requirement not included in net interest		**(5,619)**		4,938
Foreign currency exchange rate changes		**(77)**		(293)
Employee future benefit cost (income) recognized in OCI	$	**633**	$	(16,311)

Changes in the defined benefit obligation are as follows:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Balance - Beginning of year	$	**116,569**	$	116,178
Valuation effect		**–**		–
Employer current service cost		**3,856**		4,274
Net interest cost		**5,434**		4,755
Past service costs and impact of settlements, curtailments and termination benefits		**254**		4,833
Benefit payments		**(4,872)**		(4,392)
Actuarial losses due to changes in demographic assumptions		**627**		3,950
Actuarial losses (gains) due to changes in economic assumptions		**12,806**		(11,436)
Experience gains		**(1,038)**		(1,825)
Foreign exchange differences		**(441)**		232
Balance - End of year	$	**133,195**	$	116,569

Changes in the fair value of the plan assets are as follows:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Balance - Beginning of year	$	**106,644**	$	89,262
Valuation effect		**(29)**		202
Employer contributions		**4,883**		5,654
Employee contributions		**–**		–
Settlements		**–**		–
Benefit payments		**(4,872)**		(4,392)
Interest income on plan assets		**4,996**		3,630
Return on plan assets (excluding amounts included in interest income)		**6,095**		11,443
Foreign exchange differences		**(265)**		845
Balance - End of year	$	**117,452**	$	106,644

Amounts for the current and previous period are as follows:

(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Defined benefit obligation	$ **133,195**	$ 116,569
Fair value of plan assets	**117,452**	106,644
Net liability before impact of asset ceiling / minimum funding requirement	**15,743**	9,925
Impact of asset ceiling / minimum funding requirement	**2,571**	7,723
Net employee future benefit liability	$ **18,314**	$ 17,648

The following are the principal assumptions for the actuarial valuation of the plans as at December 31:

	2014	2013
Canada		
Defined benefit obligation		
Discount rate	**3.90%**	4.70%
Future salary increase	**3.50%**	4.00%
Future pension increase	**n/a**	n/a
Mortality[(a)]	**CPM 2014 Private with scale CPM-B**	UP94 Generational
Benefit cost for year ended December 31		
Discount rate	**4.70%**	4.00%
Future salary increase	**4.00%**	4.00%
Norway		
Defined benefit obligation		
Discount rate	**2.30%**	4.10%
Future salary increase	**2.75%**	3.75%
Future pension increase	**0.00%**	0.90%
Mortality	**K2013**	K2013
Benefit cost for year ended December 31		
Discount rate	**4.10%**	3.90%
Future salary increase	**3.75%**	3.50%
United Kingdom		
Defined benefit obligation		
Discount rate	**3.70%**	4.70%
Future salary increase	**n/a**	n/a
Future pension increase	**2.30%**	2.70%
Mortality	**S1PA (projected)**	S1PA (projected)
Benefit cost for year ended December 31		
Discount rate	**4.70%**	4.40%
Future salary increase	**n/a**	n/a
Indonesia		
Defined benefit obligation		
Discount rate	**8.40%**	8.80%
Future salary increase	**10.00% (local), 6.00% (expat)**	10.00% (local), 6.00% (expat)
Future pension increase	**n/a**	n/a
Mortality	**Indonesia's Table 2011**	CSO80
Benefit cost for year ended December 31		
Discount rate	**8.80%**	6.00%
Future salary increase	**10.00% (local), 6.00% (expat)**	10.00% (local), 6.00% (expat)

(a) In light of results of a Canadian pension mortality experience study conducted by the Canadian Institute of Actuaries in 2013 indicating improved pensioner mortality not reflected in the above table for the 2013, the defined benefit obligation as at December 31, 2013 for the Canadian pension plans was increased by 3.5%; the 2014 assumptions include the results of this study, and no similar final adjustment was made to the defined benefit obligation as at December 31, 2014.

Sensitivity Analysis

A quantitative sensitivity analysis for significant assumptions as at December 31, 2014 is as shown below:

Significant Assumptions	**Impact of Sensitivity Analysis on Defined Benefit Obligation**	
(in thousands of Canadian dollars)	Change	% Change
Discount rate		
Decrease of 50bp	**10,894**	**8.2%**
Increase of 50bp	**(9,725)**	**(7.3%)**
Future salary increase		
Decrease of 50bp	**(2,819)**	**(2.1%)**
Increase of 50bp	**3,009**	**2.3%**
Mortality Assumption – Impact of Life Expectancy being 1 year longer	**2,577**	**1.9%**

The sensitivity analysis noted above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring as at December 31, 2014.

Other Information

The Company expects to contribute $4.9 million to its defined benefit plans for the year ended December 31, 2015.

The average duration of the defined benefit obligation plans as at December 31, 2014 is 16 years.

26 Financial Instruments

The Company has classified its financial instruments as follows:

(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Loans and receivables, measured at amortized cost		
Loans receivable	$ **7,021**	$ 9,242
Trade accounts receivable, net	**327,474**	237,880
Held-to-maturity		
Short-term investments	**550**	6,618
Fair value through profit or loss		
Cash and cash equivalents	**116,556**	79,395
Derivative financial instruments – assets	**5,578**	624
Derivative financial instruments – liabilities	**794**	1,632
Available-for-sale		
Convertible preferred shares	**10,000**	–
Deposit guarantee	**893**	81
Other financial liabilities, measured at amortized cost		
Bank indebtedness	**4,685**	5,229
Loans payable	**121**	187
Accounts payable	**89,077**	91,215
Deferred purchase consideration	**4,873**	21,618
Long-term debt	$ **406,926**	$ 374,381

Fair Value

IFRS 13, Fair Value – Measurement, provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those which reflect market data obtained from independent sources, while unobservable inputs reflects the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

- Level 1 Quoted prices in active markets for identical instruments that are observable.
- Level 2 Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.
- Level 3 Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The hierarchy requires the use of observable market data when available.

The following table presents the fair value hierarchy levels for the financial assets and liabilities as at December 31, 2014:

(in thousands of Canadian dollars)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ **116,556**	$ **116,556**	$ **–**	$ **–**
Short-term investments	**550**	**550**	**–**	**–**
Derivative financial instruments	**5,578**	**–**	**5,578**	**–**
Convertible preferred shares	**10,000**	**–**	**–**	**10,000**
Deposit guarantee	**893**	**–**	**893**	**–**
	$ **133,577**	$ **117,106**	$ **6,471**	$ **10,000**
Liabilities				
Bank indebtedness	$ **4,685**	$ **4,685**	$ **–**	$ **–**
Deferred purchase consideration	**4,873**	**–**	**4,873**	**–**
Long-term debt	**406,926**	**–**	**406,926**	**–**
Derivative financial instruments	**794**	**–**	**794**	**–**
	$ **417,278**	$ **4,685**	$ **412,593**	$ **–**

The derivative financial instruments relate to foreign exchange forward contracts entered into by the Company (as described below) and are valued by comparing the rates at the time the derivatives are acquired to the period-end rates quoted in the market.

Financial Risk Management

The Company's operations expose it to a variety of financial risks including market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. Risk management is the responsibility of Company management. Material risks are monitored and are regularly reported to the Board of Directors.

<u>Foreign Exchange Risk</u>

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars. As at December 31, 2014, fluctuations of +/- 5% in the Canadian dollar, relative to those foreign currencies, would impact the Company's consolidated revenue, income from operations, and net income (attributable to shareholders of the Company) for the year then ended by approximately $61.7 million, $8.6 million and $6.8 million, respectively, prior to hedging activities. In addition, such fluctuations would impact the Company's consolidated total assets, consolidated total liabilities and consolidated total equity by $76.3 million, $20.0 million and $56.3 million, respectively.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures associated with the Company's foreign currency-denominated cash streams and the resulting variability of the Company's earnings. The Company utilizes foreign exchange forward contracts to manage this foreign exchange risk. The Company does not enter into foreign exchange contracts for speculative purposes. With the exception of the Company's U.S. dollar based operations, the Company does not hedge translation exposures.

Foreign Exchange Forward Contracts

The Company utilizes financial instruments to manage the risk associated with foreign exchange rates. The Company formally documents all relationships between hedging instruments and the hedge items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The following table sets out the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement of these contracts as at December 31, 2014:

(in thousands, except weighted average rate amounts)	
Canadian dollars sold for US dollars	
Less than one year	CAD$ 14,025
Weighted average rate	1.13
US dollars sold for Canadian dollars	
Less than one year	US$ 13,200
Weighted average rate	1.11
US dollars sold for Malaysian Ringgits	
Less than one year	US$ 2,800
Weighted average rate	3.50
Euros sold for US dollars	
Less than one year	€ 44,020
Weighted average rate	1.31
British pounds sold for US dollars	
Less than one year	£ 3,430
Weighted average rate	1.57
Norwegian Kroners sold for US dollars	
Less than one year	NOK 112,697
Weighted average rate	0.13
Australian dollars sold for US dollars	
Less than one year	AUD$ 1,554
Weighted average rate	0.85
Malaysian ringgits sold for US dollars	
Less than one year	MYR 32,500
Weighted average rate	0.28

The Company does not apply hedge accounting to account for its foreign exchange forward contracts.
As at December 31, 2014, the Company had notional amounts of $130.9 million of forward contracts outstanding (2013 – $115.2 million) with the fair value of the Company's net gain from all foreign exchange forward contracts totalling $4.7 million (2013 – $1.0 million net benefit).

Net Investment Hedge

The Senior Notes have been designated as a hedge of the net investment in one of the Company's subsidiaries, which has the U.S. dollar as its functional currency. During the year ended December 31, 2014, a loss of $32.5 million on the translation of the Senior Notes was transferred to other comprehensive income to offset the losses on translation of the net investment in the subsidiary. There was no ineffectiveness of this hedge for the year ended December 31, 2014.

Interest Rate Risk

The following table summarizes the Company’s exposure to interest rate risk as at December 31, 2014:

(in thousands of Canadian dollars)	Non-interest Bearing	Floating Rate	Fixed Interest Rate	Total
Financial assets				
Cash equivalents	$ –	$ –	$ 4,104	$ 4,104
Short-term investments	550	–	–	550
Loans receivable	215	4,434	2,372	7,021
Convertible preferred shares	10,000	–	–	10,000
	$ 10,765	$ 4,434	$ 6,476	$ 21,675
Financial liabilities				
Bank indebtedness	$ –	$ 4,685	$ –	$ 4,685
Loans payable	121	–	–	121
Long term debt	–	–	406,926	406,926
	$ 121	$ 4,685	$ 406,926	$ 411,732

The Company’s interest rate risk arises primarily from its floating rate bank indebtedness and long-term notes receivable and is not currently considered to be material.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, forward foreign exchange contracts, as well as credit exposure of customers, including outstanding accounts receivable. The maximum credit risk is equal to the carrying value of the financial instruments.

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company is subject to considerable concentration of credit risk since the majority of its customers operate within the global energy industry and are therefore affected to a large extent by the same macroeconomic conditions and risks. The Company manages this credit risk by assessing the credit quality of all counterparties, taking into account their financial position, past experience and other factors. Management also establishes and regularly reviews credit limits of counterparties and monitors utilization of those credit limits on an ongoing basis.

For the year ended December 31, 2014, the Company had no customer who generated revenue greater than 10% of total consolidated revenue.

For the year ended December 31, 2013, there was one customer who generated approximately 22% of total consolidated revenue. This revenue resulted primarily from a single contract for which a substantial upfront payment was received in 2012 and which was recorded as deferred revenue at that time.

The carrying value of accounts receivable are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statements of income with a charge to selling, general and administrative expenses. When a receivable balance is considered to be uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses. As at December 31, 2014, $28.1 million, or 8.3%, of trade accounts receivable, were more than 90 days overdue, which is consistent with prior period aging analysis. The Company expects to receive full payment on accounts receivables that are neither past due nor impaired.

The following is an analysis of the change in the allowance for doubtful accounts for the year ended December 31:

(in thousands of Canadian dollars)		**2014**		2013
Balance - Beginning of year	$	**11,732**	$	9,409
Bad debt expense		**748**		3,016
Acquisition		**693**		–
Recovery of previously written-off bad debts		**(156)**		(24)
Impact of change in foreign exchange rates		**(501)**		(669)
Balance - End of year	$	**12,516**	$	11,732

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient, readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities. As at December 31, 2014, the Company had cash and cash equivalents totalling $116.6 million (2013 – $79.4 million) and had unutilized lines of credit available to use of $381.0 million (2013 – $209.5 million).

The following are the contractual maturities of the Company's purchase commitments and financial liabilities as at December 31, 2014:

(in thousands of Canadian dollars)		**Less than 1 year**		**1 – 3 years**		**3 – 5 years**		**Thereafter**		**Total**
Purchase commitments	**$**	**71,363**	**$**		**$**		**$**		**$**	**71,363**
Bank indebtedness		**4,685**		**–**		**–**		**–**		**4,685**
Loans payable		**58**		**63**		**–**		**–**		**121**
Accounts payable		**89,077**		**–**		**–**		**–**		**89,077**
Deferred purchase consideration		**4,873**		**–**		**–**		**–**		**4,873**
Long-term debt		**–**		**–**		**–**		**406,926**		**406,926**
Finance costs on long-term debt		**13,835**		**27,670**		**27,670**		**72,076**		**141,251**
Obligations under finance lease		**1,891**		**2,735**		**2,672**		**11,640**		**18,938**
Operating leases		**20,711**		**24,340**		**10,787**		**9,969**		**65,807**
	$	**206,493**	**$**	**54,808**	**$**	**41,129**	**$**	**500,611**	**$**	**803,041**

27 Capital Management

The Company defines capital that it manages as the aggregate of its equity and interest bearing liabilities. The Company's objectives when managing capital are to ensure that the Company will continue to operate as a going concern and continue to provide products and services to its customers, preserve its ability to finance expansion opportunities as they arise, and provide returns to its shareholders.

The following table sets forth the Company's total managed capital as at:

(in thousands of Canadian dollars)		**December 31 2014**		December 31 2013
Bank indebtedness	$	**4,685**	$	5,229
Loans payable		**121**		187
Long-term debt		**406,926**		374,381
Obligations under finance lease		**13,495**		14,314
Equity		**980,613**		658,581
	$	**1,405,840**	$	1,052,692

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of the underlying assets and business investment opportunities. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, or adjust the amount of cash, cash equivalents, bank indebtedness or long-term debt balances. The Company's capital is not subject to any capital requirements imposed by any regulators; however, it is limited by the terms of its credit facility and long-term debt agreements. Specifically, the Company has undertaken to maintain certain covenants in respect of its Unsecured Committed Bank Credit Facility and Senior Notes. The Company is in compliance with these covenants as at December 31, 2014.

28 Leases, Commitments and Contingencies

a) Operating Leases

The Company has entered into various commercial leases for motor vehicles, machinery, equipment, and manufacturing sites. These leases have a life of one to sixteen years with no renewal options.

The following table presents the future minimum rental payments payable under the operating leases as at:

(in thousands of Canadian dollars)		**December 31, 2014**
Within one year	**$**	**20,711**
After one year but not more than five years		**35,127**
More than five years		**9,969**
	$	**65,807**

The lease expenditure charged to the consolidated statements of income during the year is $32.2 million (December 31, 2013 – $25 million).

b) Finance Leases

The Company has finance leases and purchase commitments in place for various items of plant and machinery. These leases have terms of renewal but no purchase options. Renewals are at the option of the specific entity that holds the lease. The following table presents the future minimum lease payments under finance leases with the present value of the net minimum lease payments:

(in thousands of Canadian dollars)	December 31, 2014			
		Minimum Payments		**Present Value of Payments**
Within one year	$	1,891	$	1,222
After one year but not more than five years		5,407		3,116
After more than five years		11,640		9,157
Total minimum lease payments		18,938		13,495
Less: Amounts representing interest charges	$	(5,443)	$	-
Present value of minimum lease payments	**$**	**13,495**	**$**	**13,495**

c) Legal Claims

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and other third parties. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the consolidated financial position of the Company.

d) Performance, Bid and Surety Bonds

The Company provides standby letters of credit for performance, bid and surety bonds through financial intermediaries to various customers in support of project contracts for the successful execution of these contracts. If the Company fails to perform under the terms of the contract, the customer has the ability to draw upon all or a portion of the bond as compensation for the Company's failure to perform. The contracts that these performance bonds support generally have a term of one to three years, but could extend up to four years. Bid bonds typically have a term of less than one year and are renewed, if required, over the term of the applicable contract. Historically, the Company has not made and does not anticipate that it will be required to make material payments under these types of bonds.

The Company's utilizes its credit facilities to support the Company's bonds. The Company has utilized credit facilities of $142.4 million as at December 31, 2014 (December 31, 2013 – $111.4 million).

29 Share Capital

On March 20, 2013, the Company eliminated its dual class share structure pursuant to a shareholder and court approved Plan of Arrangement (the "Arrangement") through the purchase of all of the Class A and Class B shares of the Company by a newly formed Canadian corporation. The Arrangement, a transaction with a related party, eliminated the Company's dual-class share structure through:

- The purchase of all of the issued and outstanding Class A shares in exchange for new common shares ("common shares") on a 1:1 basis; and

- The purchase of all of the issued and outstanding Class B shares in exchange for consideration of $43.43 in cash or 1.1 common shares per Class B share, such that 90% of the total consideration for the Class B Shares was paid in cash and 10% was paid in common shares. All Class A and B shares were removed from the authorized capital of the Company.

Upon closing, the new corporation and the Company amalgamated, under the name ShawCor Ltd., with the common shares as its only class of share capital. Upon closing, a special dividend of $1.00 per share was declared on all outstanding common shares which were paid on April 19, 2013.

The Company recognized transaction costs charged directly to retained earnings of $553.2 million, which was comprised of the $498.8 million cash payment to the Class B shareholders and the issuance of 1,403,684 common shares to the Class B shareholders with a fair value of $55.4 million, partially offset by the book value of the Class B shares of $1.0 million.

In connection with the closing of the Arrangement, the employment terms of the Company's Chair of the Board and indirect controlling shareholder, and of the Company's Vice Chair of the Board, were amended to provide that their employment with the Company's subsidiary would terminate and they would receive severance and other benefits of approximately $3.4 million and $3.7 million, respectively.

Under the Arrangement, any stock option outstanding as at March 20, 2013, that had not been duly exercised prior to that date, whether vested or unvested, represents an option (a "**New ShawCor Option"**) to purchase the same number of common shares at the same exercise price. The exercise price, term to expiry, conditions to and manner of exercising, vesting schedule and all other terms and conditions of such New ShawCor Option remain unchanged from the previously issued options with respect to the Class A shares, and any document or agreement previously evidencing the original options is deemed to evidence such New ShawCor Options.

Any award granted under the employee share unit plan (**"Company ESUP Award"**) that had not been settled prior to March 20, 2013, whether vested or unvested, represents a grant (a "**New ShawCor ESUP Award"**) in respect of the same number of common shares as applied to the acquisition of Class A shares pursuant to the Company ESUP Award. All other terms and conditions of such New ShawCor ESUP Award remain unchanged from the previously issued Company ESUP Awards with respect to the Class A shares, and any document or agreement previously evidencing a Company ESUP Award is deemed to evidence such New ShawCor ESUP Award.

Any grant of deferred share units issued pursuant to the deferred share unit plan ("**Company DSU Grant**") that had not been settled prior to March 20, 2013, represents a unit (a "**New ShawCor DSU Grant"**) in respect of the same number of common shares as applied to the acquisition of Class A shares pursuant to the Company DSU Grant. All other terms and conditions of such New ShawCor DSU Grant remain unchanged from the previously issued Company DSU Grants with respect to the Class A shares, and any document or agreement previously evidencing a Company DSU Grant is deemed to evidence such New ShawCor DSU Grant.

On September 19, 2014, the Company issued 3,650,000 common shares at a price of $54.85 per share through a bought public offering for gross proceeds of $200.2 million (the "Offering"). On October 3, 2014, the syndicate of underwriters to the Offering exercised their over-allotment option in full, which resulted in the Company issuing an additional 547,500 common shares of the Company at a price of $54.85 per common share, for additional gross proceeds of $30.0 million.

The following table sets forth the changes in the Company's shares for the years ending December 31:

(all dollar amounts in thousands of Canadian dollars)		**Total**
Number of shares		
Balance, December 31, 2013		**59,991,202**
Issued through public offering (net of commissions and share issuance costs of $9.7 million)		**4,197,500**
Issued on exercise of stock options		**303,450**
Issued on exercise of Restricted Stock Units ("RSUs")		**1,697**
Balance, December 31, 2014		**64,493,849**
Stated value:		
Balance, December 31, 2013	**$**	**303,327**
Issued through public offering		**220,524**
Proceeds from exercise of stock options		**7,167**
Compensation cost on exercised options		**2,590**
Compensation cost on exercised RSUs		**52**
Balance, December 31, 2014	**$**	**533,660**

(all dollar amounts in thousands of Canadian dollars)								
Number of Shares		Class A		Class B		Common		Total
Balance, December 31, 2012		57,491,070		12,760,635		–		70,251,705
Issued on exercise of stock options		72,440		–		1,023,220		1,095,660
Issued on exercise of RSUs		200		–		588		788
Purchase and cancellation of Class A shares		(57,563,710)		–		57,563,710		–
Purchase and cancellation of Class B shares		–		(12,760,635)		1,403,684		(11,356,951)
Balance, December 31, 2013		–		–		59,991,202		59,991,202
Stated Value								
Balance, December 31, 2012	$	220,706	$	981	$	-	$	221,687
Proceeds from exercise of stock options		1,372		–		18,227		19,599
Compensation cost on exercised options		531		–		7,048		7,579
Compensation cost on exercised RSUs		5				19		24
Cancellation of Class A Shares		(222,614)		–		222,614		–
Cancellation of Class B Shares		–		(981)		55,419		54,438
Balance, December 31, 2013	$	–	$	–	$	303,327	$	303,327

All shares have been issued and fully paid and have no par value. There are an unlimited number of common shares authorized. Holders of common shares are entitled to one vote per share.

Dividends declared and paid were as follows:

(Dollar amounts per share)		**2014**		2013
New Common shares	$	**0.575**	$	1.375
Class A		**–**		0.100
Class B		**–**		0.091

The dividends paid on the Class A and Class B shares were before the elimination of the dual class share structure under the Arrangement.

30 Share-based and Other Incentive-based Compensation

As at December 31, 2014, the Company had the following stock option plan, which was initiated in 2001:

Under the Company's 2001 employee stock option plan (the ″2001 Employee Plan″), which is a traditional stock option plan, the options granted have a term of approximately ten years from the date of the grant. Exercises of stock options are permitted on the basis of 20% of the optioned shares per year over five years, on a cumulative basis, commencing one year following the date of the grant. The grant price equals the closing sale price of the common shares on the day prior to the grant.

On March 3, 2010, the Board approved the amended 2001 Employee Plan (the ″Amended 2001 Employee Plan″). All stock options granted in 2010, and certain options granted thereafter, under the Amended 2001 Employee Plan have a tandem share appreciation right (″SAR″) attached, which allows the option holder to exercise either the option and receive a share, or exercise the SAR and receive a cash payment that is equivalent to the difference between the grant price and fair market value. All stock options granted under the Amended 2001 Employee Plan have the same characteristics as stock options that were granted under the original 2001 Employee Plan, with respect to vesting requirements, term, termination and other provisions.

A summary of the status of the Company's stock option plans and changes during the year is presented below:

Stock Options without Tandem Share Appreciation Rights

	2014			2013		
	Total Shares		**Weighted Average Exercise Price**	Total Shares		Weighted Average Exercise Price
Balance outstanding - Beginning of year	**1,255,900**	**$**	**29.20**	2,106,140	**$**	21.83
Granted	**86,500**		**45.73**	251,900		41.68
Exercised	**(303,450)**		**23.63**	(1,095,660)		17.89
Forfeited	**(8,980)**		**26.41**	(6,000)		30.97
Expired	–		–	(480)		15.94
Balance outstanding - End of year	**1,029,970**	**$**	**32.25**	1,255,900	**$**	29.20
Options exercisable	**594,706**	**$**	**26.73**	716,244	**$**	24.95

December 31, 2014

Range of Exercise Price	**Options Outstanding: Outstanding as at December 31, 2014**	**Options Outstanding: Weighted Average Remaining Contractual Life (years)**		**Options Outstanding: Weighted Average Exercise Price**	**Options Exercisable: Exercisable as at December 31, 2014**		**Options Exercisable: Weighted Average Exercise Price**
$15.01 to $20.00	**181,850**	**3.89**	**$**	**15.55**	**181,850**	**$**	**15.55**
$20.01 to $25.00	**2,000**	**3.98**		**21.95**	**2,000**		**21.95**
$25.01 to $30.00	**228,960**	**2.53**		**27.70**	**228,960**		**27.70**
$30.01 to $35.00	**182,100**	**6.98**		**32.81**	**71,280**		**32.81**
$35.01 to $40.00	**102,260**	**5.98**		**37.32**	**61,356**		**37.32**
$40.01 to $45.00	**246,300**	**7.98**		**41.69**	**49,260**		**41.69**
$45.01 to $50.00	**86,500**	**8.98**		**45.73**	**–**		**–**
	1,029,970	**5.75**	**$**	**32.25**	**594,706**	**$**	**26.73**

December 31, 2013

Range of Exercise Price	Options Outstanding: Outstanding as at December 31, 2013	Options Outstanding: Weighted Average Remaining Contractual Life (years)		Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Exercisable as at December 31, 2013		Options Exercisable: Weighted Average Exercise Price
$15.01 to $20.00	302,020	4.58	$	15.70	223,620	$	15.77
$20.01 to $25.00	5,400	3.10		21.22	3,400		20.79
$25.01 to $30.00	400,920	3.58		27.94	400,920		27.94
$30.01 to $35.00	197,000	7.78		32.76	47,400		32.59
$35.01 to $40.00	102,260	6.99		37.32	40,904		37.32
$40.01 to $45.00	248,300	8.99		41.68	–		–
	1,255,900	5.83	$	29.20	716,244	$	24.95

The Board of Directors approved the granting of 86,500 stock options (2013 – 251,900) during the year ended December 31, 2014 under the 2001 Employee Plan. The total fair value of the stock options granted during the year ended December 31, 2014 was $1.1 million (2013 – $3.3 million) and was calculated using the Black-Scholes pricing model with the following assumptions:

		2014		2013
Weighted average share price	**$**	45.73	$	41.68
Exercise price	**$**	45.73	$	41.68
Expected life of options		6.25		6.25
Expected stock price volatility		32.00%		34.00%
Expected dividend yield		1.20%		0.90%
Risk-free interest rate		2.00%		1.89%

The volatility measured at the standard deviation of continuously compounded share returns is based on the statistical analysis of daily share prices over the expected life of the options.

The fair value of options granted under the Amended 2001 Employee Plan will be amortized to compensation expense over the five-year vesting period of options. The compensation cost from the amortization of granted stock options for the year ended December 31, 2014, included in selling, general and administrative expenses, was $2.0 million (2013 – $1.9 million).

Stock Options with Tandem Share Appreciation Rights

	2014			2013		
	Total Shares		**Weighted Average Fair Value[(a)]**	Total Shares		Weighted Average Fair Value
Balance outstanding - Beginning of period	**120,800**	**$**	**11.16**	223,200	$	12.56
Granted	**21,600**		**13.75**	32,300		13.35
Exercised in cash	**–**		**–**	(134,700)		14.01
Expired	**(400)**		**12.94**	–		–
Balance outstanding - End of period	**142,000**	**$**	**11.55**	120,800	$	11.16
Options exercisable	**77,260**	**$**	**15.69**	53,100	$	15.09

(a) The weighted average fair value refers to the fair value of the underlying shares of the Company on the grant date of the SARs.

The mark-to-market liability for the stock options with SARs as at December 31, 2014 is $1.4 million (2013 – $1.3 million), all of which is included in current and non-current other liabilities on the consolidated balance sheets.

On March 3, 2010, the Board approved a new long-term incentive program (″LTIP″) for executives and key employees and a deferred share unit (″DSU″) plan for directors of the Company. Additional details with respect to the LTIP and DSU plan are as follows:

LTIP

The LTIP includes the existing stock option plan discussed above, the Value Growth Plan (″VGP″) and the Employee Share Unit Plan (″ESUP″).

VGP

The VGP is a cash-based awards plan, which rewards executives and key employees for improving operating income and revenue over a three-year performance period. Units granted to participants vest at the end of the third year of the performance period for which they were granted. The value of units is determined based on the growth rate in operating revenue and income on a cumulative basis for the three consecutive years that comprise the performance period and is measured against the prior three-year baseline period. Compensation cost is recognized on a straight-line basis over the vesting period. All units granted under the VGP will be classified as liability instruments in accordance with IFRS as their terms require that they be settled in cash.

The VGP liability as at December 31, 2014 is $32.1 million (2013 – $27.2 million).

ESUP

The ESUP authorizes the Board to grant awards of RSUs and performance share units (“PSUs”) to employees of the Company as a form of incentive compensation. All RSUs and PSUs are to be settled with common shares and are valued on the basis of the underlying weighted average trading price of the common shares over the five trading days preceding the grant date. The valuation is not subsequently adjusted for changes in the market price of the common shares prior to the settlement of the award. Each RSU and PSU granted under the ESUP represents one common share. The ESUP provides that the maximum number of common shares that are reserved for issuance from time to time shall be fixed at 1,000,000 common shares. The RSUs vest in two tranches over a period of one to five years and four to seven years, respectively and become payable once vesting is completed. Compensation cost is recognized over the vesting period in accordance with IFRS. All RSUs and PSUs granted are classified as equity instruments in accordance with IFRS as their terms require that they be settled in shares.

The following table sets forth the Company's RSU/PSUs reconciliation for the years ended December 31:

	2014			**2014**	2013			2013
	Total Shares			**Weighted Average Grant Date Fair Value[(a)(b)]**	Total Shares			Weighted Average Grant Date Fair Value[(a)]
Balance outstanding - Beginning of year	**209,307**	$		**33.91**	134,987	$		30.79
Granted	**74,438**			**43.96**	80,998			39.10
Exercised	**(1,697)**			**29.25**	(788)			30.90
Cancelled	**(20,340)**			**35.31**	(5,890)			34.06
Balance outstanding - End of year	**261,708**	$		**36.69**	209,307	$		33.91
RSUs/PSUs exercisable	**57,799**	$		**30.80**	29,594	$		29.38

a) RSU awards do not have an exercise price; their weighted average grant date fair value is the closing stock price on the reporting date.
b) PSU awards do not have an exercise price; their weighted average grant date fair value is the closing stock price on the reporting date.

DSU

Under the Company's DSU plan, all directors (other than the President and Chief Executive Officer) of the Company can elect to receive all or a portion of their compensation for services rendered as a director of the Company in share units or a combination of share units and cash. The number of DSUs received is equal to the dollar amount to be paid in DSUs divided by the weighted average trading price of the common shares over the five days immediately preceding the date of the grant. DSUs are to be settled at the time that the director ceases to be a member of the Board and each DSU entitles the holder to receive one common share or the cash equivalent. DSUs vest immediately on the date of the grant. The value of a DSU and the related compensation expense is determined and recorded based on the current market price of the underlying common shares on the date of the grant. Common shares are purchased on the open market to settle outstanding share units.

All DSUs granted will be classified as liability instruments on the date of the grant in accordance with IFRS as the unitholder has the option to settle in cash or in shares.

The following table sets forth the Company's DSU reconciliation for the years ended December 31:

	2014			2013		
	Total Shares		**Weighted Average Grant Date Fair Value [(a)]**	Total Shares		Weighted Average Grant Date Fair Value [(a)]
Balance outstanding - Beginning of year	**124,980**	**$**	**34.60**	97,421	$	31.61
Granted	**26,120**		**48.84**	38,299		41.60
Exercised[(b)]	**(51,425)**		**35.16**	(10,740)		32.40
Balance outstanding - End of year	**99,675**	**$**	**38.04**	124,980	$	34.60

(a) DSU awards do not have an exercise price; as a result grant date weighted average fair value has been calculated.
(b) DSU awards cannot be exercised while the director is still a member of the Board of Directors.

The mark-to-market liability for the DSUs as at December 31, 2014 is $4.2 million (2013 – $5.3 million), all of which is included in current and non-current other liabilities on the consolidated balance sheets.

Incentive-based Compensation

The following table sets forth the incentive-based compensation expense for the years ended December 31:

(in thousands of Canadian dollars)		**2014**		2013
Stock option expense	**$**	**1,956**	$	1,885
VGP expense		**9,428**		17,469
DSU expense		**1,737**		1,899
RSU expense		**2,218**		1,286
SAR expense		**148**		1,055
Total share-based and other incentive-based compensation expense	**$**	**15,487**	$	23,594

31 Key Management Compensation

Key management includes directors (executive and non-executive) and corporate officers. The compensation paid or payable to key management for employee and director services is shown below for the years ended December 31:

(in thousands of Canadian dollars)		**2014**		2013
Salaries and other short-term incentive compensation and employee benefits	$	**3,714**	$	9,050
Post-employment benefits – Defined Benefit Plans		**630**		6,394
Share-based and other long-term incentive payments		**5,271**		5,874
Director fees and other compensation		**2,368**		6,591
Total	$	**11,983**	$	27,909

32 Employee Benefits Expense

The following table sets forth the Company's employee benefits expense for the years ended December 31:

(in thousands of Canadian dollars)		**2014**		2013
Salaries, wages and employee benefits	**$**	**539,606**	$	475,595
Pension (note 25)		**10,680**		17,082
Share-based and other incentive-based compensation (note 30)		**15,487**		23,594
Total	**$**	**565,773**	$	516,271

33 Finance Costs

The following table sets forth the Company's finance costs for the years ended December 31:

(in thousands of Canadian dollars)		**2014**		2013
Interest income on short-term deposits	**$**	**(1,229)**	$	(1,156)
Interest expense, other		**6,210**		5,949
Interest expense on long term debt		**13,420**		10,119
Finance costs – net	**$**	**18,401**	$	14,912

34 Earnings Per Share ("EPS")

The following table details the weighted-average number of shares outstanding for the purposes of calculating basic and diluted EPS for the years ended December 31:

(in thousands of Canadian dollars except share and per share amounts)		**2014**		2013
Net income used to calculate EPS				
Net income (attributable to the shareholders of the Company)	$	**94,861**	$	219,862
Weighted average number of shares outstanding – basic (000's)		**61,374**		61,972
Dilutive effect of stock options		**445**		674
Weighted average number of shares outstanding – diluted (000's)		**61,819**		62,646
Basic EPS	$	**1.55**	$	3.55
Diluted EPS	$	**1.53**	$	3.51

35 Income Taxes

The following table sets forth the Company’s income tax expense for the years ended December 31:

(in thousands of Canadian dollars)		**2014**		2013
Current Income Taxes				
Based on taxable income of current year	$	**56,539**	$	93,620
Adjustment to prior year provision		**1,901**		(259)
		58,440		93,361
Deferred Income Taxes				
Reversal of temporary differences		**(37,430)**		(14,959)
		(37,430)		(14,959)
Total Income Tax Expense	**$**	**21,010**	$	78,402

The following table sets forth the Company's income taxes on items recognized in other comprehensive income (loss) for the years ended December 31:

(in thousands of Canadian dollars)		**2014**		2013
Income tax expense on actuarial gain and losses on defined employee future benefit plans	**$**	**(152)**	$	4,103
Income Tax Expense (Recovery) Charged to Other Comprehensive Income	**$**	**(152)**	$	4,103

The following table sets forth a reconciliation of the Company’s effective income tax rate for the years ended December 31:

	2014	2013
Expected income tax expense based on statutory rate	**26.5%**	27.0%
Tax rate differential on earnings of foreign subsidiaries	**(14.9%)**	(8.2%)
Benefit of previously unrecognized tax losses	**(0.2%)**	(0.6%)
Unrecognized tax losses of foreign subsidiaries	**1.1%**	4.5%
Adjustment to prior year provision	**1.7%**	(0.1%)
Other	**4.0%**	3.4%
Effective Income Tax Rate	**18.2%**	26.0%

The expected income tax rate is computed using average Canadian federal and provincial income tax rates based on an estimated allocation of net income before tax to the various provinces.

Recognized Deferred Income Tax Assets and Liabilities

The following table sets forth the Company's deferred income tax assets and liabilities as at:

	Consolidated Balance Sheets	
(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Deferred Income Tax Assets		
Amortizable property, plant and equipment	**$ 10,490**	$ 17,953
Provisions and future expenditures	**40,154**	18,984
Non-capital losses	**11,508**	11,543
	62,152	48,480
Deferred Income Tax Liabilities		
Amortizable property, plant and equipment	**(39,926)**	(18,972)
Provisions and future expenditures	**(7,214)**	(49,885)
	(47,140)	(68,857)
Net Deferred Income Tax Liability	**$ 15,012**	$ (20,377)

The following table sets forth the Company's deferred income tax assets and liabilities as presented in the Consolidated Balance Sheets as at:

	Consolidated Balance Sheet	
(in thousands of Canadian dollars)	**December 31 2014**	December 31 2013
Deferred income tax assets	**$ 39,019**	$ 48,480
Deferred income tax liabilities	**(24,007)**	(68,857)
	15,012	(20,377)

The Company has recorded deferred income tax assets of $11.5 million as at December 31, 2014 (December 31, 2013 – $11.5 million), pertaining to loss carryforwards based on management's financial projections and the relevant income tax legislation in each jurisdiction.

(in thousands of Canadian dollars)		Consolidated Statements of Income 2014	2013
Deferred Income Tax Assets			
Amortizable property, plant and equipment	**$**	**7,463**	(6,001)
Provisions and future expenditures		**(21,170)**	(4,335)
Net operating losses		**35**	(1,997)
Change in deferred income tax assets		**(13,672)**	(12,333)
Deferred Income Tax Liabilities			
Amortizable property, plant and equipment		**20,954**	4,368
Provisions and future expenditures		**(42,671)**	3,010
Change in deferred income tax liabilities		**(21,717)**	7,378
Change in Deferred Income Taxes		**(35,389)**	(4,955)
Deferred income taxes in other comprehensive income		**152**	(4,103)
Deferred income taxes acquired through acquisitions		**(2,193)**	(10,644)
Deferred income taxes moved to assets held for sale		**–**	4,743
Deferred Income Tax Recovery in Net Income	**$**	**(37,430)**	(14,959)

The Company has not recognized a deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Company’s subsidiaries, associates and joint ventures for the years ended December 31, 2014 and 2013, as the Company has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary difference associated with investments in subsidiaries, associates and joint ventures, for which a deferred income tax liability has not been recognized, aggregates to $162.2 million and $189.9 million for the years ended December 31, 2014 and 2013, respectively.

The Company has net operating losses of $131.4 million for the year ended December 31, 2014 (December 31, 2013 – $123.0 million), in various jurisdictions for which no deferred income tax asset has been recognized. These losses expire subsequent to the 2018 fiscal year. The Company has capital losses of $15.3 million and $6.9 million for the years ended December 31, 2014 and 2013, respectively, in various jurisdictions for which no deferred income tax asset has been recognized. These capital losses carry forward indefinitely.

36 Subsequent Event

The Company completed the acquisition of Dhatec B.V. ("Dhatec") on January 5, 2015. Dhatec is a Netherlands based company which designs, assembles and markets engineered pipe logistics products and services which mitigate damage and enhance safety and efficiency in the manufacturing, coating, handling, transportation, preservation and storage of pipe. Dhatec's revenue in 2014 is approximately US$25 million.

37 Comparative Figures

The comparative audited consolidated financial statements have been reclassified from consolidated financial statements previously presented to conform to the presentation of the current year consolidated financial statements in accordance with IFRS.