2014

# CONSOLIDATED FINANCIAL STATEMENTS

*AUDITED*

For the year ended December 31, 2014

www.wspgroup.com

March 17, 2015

**Independent Auditor's Report**

**To the Shareholders of**
**WSP Global Inc.**

We have audited the accompanying consolidated financial statements of WSP Global Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



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 WSP Global Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A119427

# WSP Global Inc.

Consolidated Financial Statements
**December 31, 2014 and 2013**

(in millions of dollars)

# WSP Global Inc.

Consolidated Statements of Financial Position

**As at December 31, 2014, and 2013**

(in millions of Canadian dollars)

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 6) | 201.5 | 131.9 |
| Trade, prepaid and other receivables (note 7) | 1,234.1 | 483.3 |
| Income taxes receivable | 98.6 | 23.7 |
| Costs and anticipated profits in excess of billings | 593.8 | 186.5 |
| | 2,128.0 | 825.4 |
| **Non-current assets** | | |
| Other assets (note 8) | 125.9 | 37.4 |
| Deferred income tax assets (note 21) | 126.7 | 28.7 |
| Property, plant and equipment (note 9) | 202.4 | 87.4 |
| Intangible assets (note 10) | 375.0 | 146.4 |
| Goodwill (note 11) | 1,985.1 | 734.6 |
| **Total assets** | 4,943.1 | 1,859.9 |
| **Liabilities and equity** | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 13) | 1,064.4 | 363.5 |
| Billings in excess of costs and anticipated profits | 386.0 | 93.0 |
| Income taxes payable | 95.0 | 18.4 |
| Dividends payable to shareholders (note 22) | 33.2 | 19.6 |
| Current portion of long-term debts (note 14) | 11.0 | 1.5 |
| Other current financial liabilities (note 15) | 44.3 | 46.2 |
| | 1,633.9 | 542.2 |
| **Non-current liabilities** | | |
| Long-term debts (note 14) | 788.1 | 187.7 |
| Other non-current financial liabilities (note 15) | 2.0 | 6.7 |
| Provisions (note 13) | 41.0 | 11.4 |
| Retirement benefit obligations (note 16) | 223.8 | 104.4 |
| Deferred income tax liabilities (note 21) | 105.3 | 33.9 |
| **Total liabilities** | 2,794.1 | 886.3 |
| **Equity** | | |
| **Equity attributable to shareholders** | | |
| Share capital (note 17) | 1,976.6 | 934.4 |
| Contributed surplus (note 17) | 200.0 | - |
| Accumulated other comprehensive income | 30.2 | 45.3 |
| Retained earnings (deficit) | (55.0) | (5.4) |
| | 2,151.8 | 974.3 |
| Non-controlling interest | (2.8) | (0.7) |
| **Total equity** | 2,149.0 | 973.6 |
| **Total liabilities and equity** | 4,943.1 | 1,859.9 |

**Commitments and contingencies** (note 26)

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

**Approved by the Board of Directors**



(signed) Pierre Shoiry Director

(signed) Pierre Seccareccia Director

# WSP Global Inc.

Consolidated Statements of Earnings

**For the years ended December 31, 2014, and 2013**

(in millions of Canadian dollars, except the number of shares and per share data)

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Revenues** | **2,902.4** | **2,016.0** |
| Personnel costs | 1,762.8 | 1,244.2 |
| Subconsultants and direct costs | 552.5 | 338.8 |
| Other operational costs | 349.1 | 265.5 |
| Non-underlying items (note 19) | 69.8 | 9.5 |
| Depreciation of property, plant and equipment | 33.8 | 24.7 |
| Amortization of intangible assets | 43.7 | 34.0 |
| Exchange loss (gain) | (3.6) | (1.4) |
| **Total operational costs** | **2,808.1** | **1,915.3** |
| Net finance expenses (note 20) | 12.5 | 12.5 |
| Share of income of associates and joint venture (net of tax) | (5.7) | (4.3) |
| **Earnings before income taxes** | **87.5** | **92.5** |
| **Income tax expenses** (note 21) | 25.3 | 22.3 |
| **Net earnings for the year** | **62.2** | **70.2** |
| **Net earnings (loss) attributable to:** | | |
| Shareholders | 62.8 | 71.7 |
| Non-controlling interests | (0.6) | (1.5) |
| | 62.2 | 70.2 |
| Basic and diluted net earnings per share | 0.98 | 1.38 |
| Basic and diluted weighted average number of shares | 64,023,625 | 51,843,140 |

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

# WSP Global Inc.

Consolidated Statements of Comprehensive Income

**For the years ended December 31, 2014, and 2013**

(in millions of Canadian dollars)

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Comprehensive income** | | |
| Net earnings for the year | 62.2 | 70.2 |
| **Other comprehensive income, net of tax** | | |
| *Items that may be reclassified subsequently to net income* | | |
| Currency translation adjustments | 23.4 | 37.8 |
| Fair value re-evaluations – available-for-sale assets (net of tax recovery of $1.1)(note 8) | (3.3) | - |
| Translation adjustments on financial instruments designated as net investment hedge (net of a tax recovery of $2.7 ($1.2 in 2013)) | (17.7) | (8.3) |
| *Items that will not be reclassified to net income* | | |
| Actuarial (loss)/gain on pension scheme (net of a tax recovery of $4.6 (tax expense of $3.0 in 2013) (note 16 and 21)) | (17.5) | 3.0 |
| **Total comprehensive income for the year** | 47.1 | 102.7 |
| **Comprehensive income (loss) attributable to:** | | |
| Shareholders | 47.7 | 103.9 |
| Non-controlling interests | (0.6) | (1.2) |
| | 47.1 | 102.7 |

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

# WSP Global Inc.

Consolidated Statements of Changes in Equity

**For the year ended December 31, 2013**

(in millions of Canadian dollars)

| | Attributable to Shareholders | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital $** | **Retained earnings (deficit) $** | **Accumulated other comprehensive income $** | **Total $** | **Non-controlling interests $** | **Total equity $** |
| **Balance – January 1, 2013** | **903.3** | **0.7** | **13.1** | **917.1** | **2.0** | **919.1** |
| Common shares issued under the DRIP (note 17) | 31.1 | - | - | 31.1 | - | 31.1 |
| **Comprehensive income** | | | | | | |
| Net earnings for the year | - | 71.7 | - | 71.7 | (1.5) | 70.2 |
| Actuarial gain on pension schemes (net of tax) (note 16 and 21) | - | - | 3.0 | 3.0 | - | 3.0 |
| Currency translation adjustments | - | - | 37.5 | 37.5 | 0.3 | 37.8 |
| Net investment hedge (net of tax) | - | - | (8.3) | (8.3) | - | (8.3) |
| **Total comprehensive income (loss)** | **-** | **71.7** | **32.2** | **103.9** | **(1.2)** | **102.7** |
| Declared dividends to shareholders (note 22) | - | (77.8) | - | (77.8) | (1.5) | (79.3) |
| **Balance – December 31, 2013** | **934.4** | **(5.4)** | **45.3** | **974.3** | **(0.7)** | **973.6** |

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

# WSP Global Inc.

Consolidated Statements of Changes in Equity

**For the year ended December 31, 2014**

(in millions of Canadian dollars)

| | Attributable to Shareholders | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital $** | **Contributed Surplus $** | **Retained earnings (deficit) $** | **Accumulated other comprehensive income $** | **Total $** | **Non-controlling interests $** | **Total equity $** |
| **Balance – January 1, 2014** | **934.4** | **-** | **(5.4)** | **45.3** | **974.3** | **(0.7)** | **973.6** |
| Common shares issued under the DRIP (note 17) | 46.4 | - | - | - | 46.4 | - | 46.4 |
| Common shares issued via private placements (note 17) | 475.4 | - | - | - | 475.4 | - | 475.4 |
| Common shares issued via public offerings (note 17) | 720.4 | - | - | - | 720.4 | - | 720.4 |
| Capital reduction(note 17) | (200.0) | 200.0 | - | - | - | - | - |
| **Comprehensive income** | | | | | | | |
| Net earnings for the year | - | - | 62.8 | - | 62.8 | (0.6) | 62.2 |
| Actuarial loss on pension schemes (net of tax) (note 16) | - | - | - | (17.5) | (17.5) | - | (17.5) |
| Currency translation adjustments | - | - | - | 23.4 | 23.4 | - | 23.4 |
| Fair value re-evaluations – available-for-sale assets (net of tax)(note 8) | | | | (3.3) | (3.3) | - | (3.3) |
| Net investment hedge (net of tax) | - | - | - | (17.7) | (17.7) | - | (17.7) |
| **Total comprehensive income (loss)** | **-** | **-** | **62.8** | **(15.1)** | **47.7** | **(0.6)** | **47.1** |
| Declared dividends to shareholders (note 22) | - | - | (112.4) | - | (112.4) | (1.5) | (113.9) |
| **Balance – December 31, 2014** | **1,976.6** | **200.0** | **(55.0)** | **30.2** | **2,151.8** | **(2.8)** | **2,149.0** |

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

# WSP Global Inc.

Consolidated Statements of Cash Flows

**For the years ended December 31, 2014, and 2013**

(in millions of Canadian dollars)

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Cash flows generated from (used in) operating activities** | | |
| Net earnings for the year | 62.2 | 70.2 |
| Adjustments (note 23a)) | 59.6 | 46.4 |
| Income tax expenses (note 21) | 25.3 | 22.3 |
| Income taxes paid | (25.4) | (27.5) |
| Net finance expenses (note 20) | 12.5 | 12.5 |
| | 134.2 | 123.9 |
| Change in non-cash working capital items (note 23b)) | 90.5 | (4.3) |
| **Net cash and cash equivalents generated from (used in) operating activities** | 224.7 | 119.6 |
| **Cash flows generated from (used in) financing activities** | | |
| Dividends paid to shareholders | (52.4) | (46.2) |
| Net variation of loan payable and long-term debts | 1.4 | (1.9) |
| Repayment of notes payable | - | (7.1) |
| Repayment of other financial liabilities | (3.5) | - |
| Repayment of balances payable to former shareholders | (0.1) | (2.4) |
| Repayment of finance leases | (8.8) | (7.5) |
| Finance expenses paid and financing costs | (11.7) | (6.2) |
| Net variation in bank advances | 578.5 | (46.2) |
| Issuance of common shares, net of issuance costs (note 17) | 1,187.1 | - |
| Dividends paid to a non-controlling interest | (1.5) | (1.5) |
| **Net cash and cash equivalents generated from (used in) financing activities** | 1,689.0 | (119.0) |
| **Cash flows generated from (used in) investing activities** | | |
| Business acquisitions (note 4) | (1,795.7) | (1.2) |
| Additions to property, plant and equipment | (39.6) | (22.3) |
| Proceeds from disposal of property, plant and equipment | 1.6 | 1.2 |
| Additions to intangible assets | (6.2) | (6.2) |
| Other investments | (0.5) | - |
| Dividends received from associates | 1.8 | 1.7 |
| **Net cash and cash equivalents generated from (used in) investing activities** | (1,838.6) | (26.8) |
| **Effect of exchange rate change on cash and cash equivalents** | 1.1 | 5.0 |
| **Net change in cash and cash equivalents** | 76.2 | (21.2) |
| **Cash and cash equivalents including bank overdraft – Beginning of year** | 100.1 | 121.3 |
| **Cash and cash equivalents including bank overdraft (note 6) – End of year** | 176.3 | 100.1 |

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

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 1 Business description

WSP Global Inc. (the “Corporation” or “WSP”) is a professional services firm, working with governments, businesses, architects and planners and providing integrated solutions across many disciplines, from designing zero-carbon cities to project managing large-scale Infrastructure projects. The Corporation offers a variety of project services throughout all project execution phases, from the initial development and planning studies through to the design, construction, commissioning and maintenance phases. WSP operates in different market sectors: buildings, infrastructure (including transportation and municipal infrastructure), industrial and energy (including mining, oil and gas) and environment. The address of its main registered office is 1600, René-Lévesque Boulevard West, Montreal, Quebec.

On January 1, 2014, a corporate reorganization pursuant to a court-approved plan of arrangement (the "Arrangement") came into effect. The Arrangement, which was approved by the Corporation's shareholders at the Annual and Special Meeting of Shareholders held on May 23, 2013 and which received final approval of the Superior Court of Québec on May 27, 2013, resulted in the reorganization whereby a newly created Corporation named WSP Global Inc. replaced GENIVAR Inc. as the publicly traded Corporation. Pursuant to the Arrangement, shareholders of GENIVAR Inc. became shareholders of WSP as of the effective date.

Having fulfilled the requirements of the Toronto Stock Exchange ("TSX"), the common shares of the Corporation, as of January 1, 2014, are listed under the trading symbol "WSP" on the TSX.

## 2 Summary of significant accounting policies

### Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretation Committee Interpretations (‘IFRC IC’) as defined in the Handbook of the Chartered Professional Accountants of Canada and adopted by the International Accounting Standards Board. These financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through the consolidated statement of earnings and the consolidated statement of comprehensive income.

These financial statements were approved by the Corporation’s Board of Directors on March 17, 2015.

### Consolidation, joint arrangements and associates

These consolidated financial statements include the accounts of the Corporation and its subsidiaries for the years ended December 31, 2014, and 2013.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries, attributable to non-controlling interests, is disclosed as a component of equity. Their share of net earnings and comprehensive income is recognized directly in equity. Changes in the parent Corporation’s ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

All significant intercompany transactions and balances have been eliminated.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

*Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Corporation has control. The Corporation controls an entity when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies.

*Joint arrangements*

Joint arrangements are classified as either joint operations or joint ventures. The determination of whether an arrangement is a joint operation or joint venture is based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. Joint arrangements that provide the Corporation with the rights to the individual assets and obligations arising from the arrangement are classified as joint operations and joint arrangements that provide the Corporation with rights to the net assets of the arrangement are classified as joint ventures.

The interests in joint arrangements that are classified as joint operations are accounted for by the Corporation recording its pro rata share of the assets, liabilities, revenues, costs and cash flows using the most recent financial statements of these joint arrangements available.

The interests in joint arrangements that are classified as joint ventures are accounted for using the equity method and disclosed as an investment in the statements of financial position.

*Associates*

Associates are all entities over which the Corporation has significant influence but not control. Investments in associates are accounted for using the equity method. Under this method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and of other comprehensive income after the date of acquisition.

## Foreign currency

The consolidated financial statements are presented in Canadian dollars, which is WSP's functional currency.

Items included in the financial statements of each of the Corporation's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). 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 of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statements of earnings, except when deferred in other comprehensive income as qualifying for net investment hedges. Foreign exchange gains and losses that relate to borrowings are disclosed within finance expenses. All other foreign exchange gains and losses are disclosed within exchange loss (gain).

Assets and liabilities of entities with functional currencies other than the Canadian dollar are translated at the period-end rates of exchange, and the results of their operations are translated at average rates of exchange

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

for the period. The resulting changes are recognized in accumulated other comprehensive income in equity as currency translation adjustments.

### Segment reporting

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

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Corporation's activities. Revenue is shown net of value-added tax and after eliminating sales within the group.

The Corporation recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Corporation's activities as described below. The Corporation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues and profits from cost-plus contracts with ceilings and from fixed-price contracts are accounted for using the percentage-of-completion method, which is calculated on the ratio of contract costs incurred to total anticipated costs.

Revenues and profits from cost-plus contracts without stated ceilings and from short-term projects are recognized when costs are incurred and are calculated based on billing rates for the services performed.

Certain costs incurred by the Corporation for subconsultants and other expenses that are recoverable directly from clients are billed to them and therefore are included in revenues. The value of goods and services purchased by the Corporation, when acting as a purchasing agent for a client, is not recorded as revenues.

The effect of revisions to estimate revenues and costs is recorded when the amounts are known and can be reasonably estimated. These revisions can occur at any time and could be significant. Where total contract costs exceed total contract revenues, the expected loss is recognized as an expense immediately via a provision for losses to completion, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation, where they are probable and can be determined reliably.

### Personnel costs

Personnel costs include all payroll costs relating to the delivery of consulting services and projects and administrative salaries, such as finance, information technologies, human resources and communications.

### Subconsultants and direct costs

Subconsultants and direct costs include subconsultant costs and other direct costs incurred to deliver consulting services and that are recoverable directly from the clients.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

### Other operational costs

Other operational costs include but are not limited to fixed costs, such as occupancy costs, non-recoverable client services costs, technology costs, office costs, professional services costs and insurance.

### Non-underlying items

Non-underlying items are items of financial performance which the Corporation believes should be separately identified on the face of the consolidated statement of earnings to assist in understanding the underlying financial performance achieved by Corporation. Such items do not affect the absolute amount of the results for the period and the trend of the results.

Non-underlying items include the following:

- Transaction costs related to business acquisitions (successful or not)
- Costs of integrating newly acquired businesses
- Costs of restructuring and reorganization of existing operations

The above are examples; however, from time to time it may be appropriate to disclose other items as non-underlying items in order to highlight the underlying operational performance of the Corporation.

### Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurements are dependent on their classification, as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments.

*Loans and receivables*

Cash and cash equivalents, trade, prepaid and other receivables and costs and anticipated profits in excess of billings are classified as loans and receivables. Financial assets classified as loans and receivables are accounted for at amortized cost using the effective interest rate method less any impairment loss.

*Available for sale financial assets*

Financial assets available for sale are non-derivatives, are carried at their fair value and recorded in non-current assets, unless it is anticipated that they will be sold within twelve months of the statement of financial position date. Realized gains or losses arising from changes in the fair value of available for sale assets are included in the consolidated statement of earnings in the period in which they are realized. Unrealized gains and losses are recorded in other comprehensive income.

*Other liabilities*

Accounts payable and accrued liabilities, dividends payable to shareholders, long-term debts, other financial liabilities and provisions are classified as other liabilities and are recorded at amortized cost using the effective interest rate method.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

*Deferred financing fees*

Deferred financing fees are capitalized and amortized over the life of the credit facilities agreement.

*Determination of fair value*

The fair value of a financial instrument is the amount of consideration that would be agreed to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market inputs and minimizing the use of unobservable inputs.

*Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**Derivative financial instruments and hedging activities**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Corporation designates certain derivatives as either:

(a) hedges of the fair value of recognized assets and liabilities or a firm commitment (fair value hedge);

(b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or

(c) hedges of a net investment in a foreign operation (net investment hedge).

The Corporation documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

*Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statements of earnings together with any changes in the fair value of the hedged asset or liability that are attributable to the hedge risk.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

*Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of earnings.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statements of earnings. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statements of earnings.

*Net investment hedge*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the consolidated statements of earnings.

### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks as well as all highly liquid short-term investments with original maturities of three months or less. For the purposes of the cash flow statement, cash and cash equivalents are net of bank overdraft.

### Trade receivables

Trade receivables are amounts due from customers for the rendering of services in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment.

### Investments

Investment held in a jointly controlled entity is accounted for using the equity method. Investments in securities are accounted for at fair value with unrealized gains or losses recognized in other comprehensive income. Investments in associates are accounted for using the equity method.

### Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated statement of earnings during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the methods described below to allocate their cost to their residual values over their estimated useful lives. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

The following table summarizes the depreciation methods, rates and periods used:

| | **Methods** | **Rates and periods** |
|---|---|---|
| Buildings | Declining balance | 1% to 4% |
| Leasehold improvements | Straight-line | Lease term |
| Furniture and equipment | Declining balance | 10% to 33% |
| Computer equipment | Straight-line | 3 to 8 years |

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statements of earnings within other operational costs.

### Intangible assets

*Software and non-competition agreements*

Software and non-competition agreements acquired separately from a business acquisition are carried at cost less accumulated amortization and accumulated impairment losses.

*Intangible assets acquired in business acquisitions*

Intangible assets acquired in business combinations consist of software, customer relationships, contract backlogs and trade names. They are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date. They are carried at cost less accumulated amortization and accumulated impairment losses.

*Amortization*

Software, contract backlogs, customer relationships, certain trade names and non-competition agreements are considered intangible assets with finite useful lives. Based on the strength, long history and expected future use, certain trade names are indefinite-lived intangible assets. The useful life of intangible assets that are not being amortized is reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. If not, the change in the assessment from indefinite to finite will be accounted for as a change in accounting estimates.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

Intangible assets are amortized as follows:

| | Method | Periods |
|---|---|---|
| Software | Straight-line | 3 to 7 years |
| Contract backlogs | Straight-line | 1 to 9 years |
| Customer relationships | Straight-line | 2 to 14 years |
| Trade names | Straight-line | 3 to 8 years |
| Non-competition agreements | Straight-line | 3 to 5 years |

### Impairment of long-lived assets

Long-lived assets with finite useful lives are reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. Indefinite-lived assets are not subject to amortization but are tested for impairment on an annual basis as at September 30, or more frequently if events or circumstances indicate that the carrying value may not be recoverable. Impairment exists when the recoverable amount of an asset is less than its carrying value. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"). The amount of impairment loss, if any, is the excess of the carrying value over its recoverable amount. Assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### Goodwill

Goodwill represents the excess of the consideration transferred for the acquired businesses over the estimated fair value at the acquisition date of net identifiable assets acquired. Goodwill is not subject to amortization and is carried at cost less accumulated impairment loss but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each CGU expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually as at September 30. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

### Provisions

Provisions represent liabilities of the Corporation for which the amount or timing is uncertain. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

### Long-term incentive plan ("LTIP")

The Corporation has in place a LTIP for key management personnel under which restricted share units ("RSUs"), stock options and performance share units ("PSUs") have been and can be issued. The number of RSUs, stock options and PSUs to vest depend on whether certain Corporation performance conditions are met and/or whether the persons are still employed by the Corporation when the LTIP instruments are exercisable. The liability is calculated at fair value, by applying a pricing model at the end of each reporting period and recorded in non-current liabilities over the vesting period.

### Income taxes

Tax is recognized in the consolidated statements of earnings except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Corporation follows the liability method when accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement values and the tax values of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. The deferred income tax is not accounted for when arising from initial recognition of an asset or liability in a transaction other than a business combination, that affects at the time of the transaction neither accounting nor taxable profit or loss. Moreover, deferred tax is not recognized if it arises from the initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences and for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

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 used.

Deferred income tax assets and liabilities are disclosed as non-current. They 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 related to the income taxes levied by the same taxation authority on either the same taxable entity or different entities where there is an intention to settle the balance on a net basis.

### Investment tax credits (ITCs)

ITCs are recorded when there is reasonable assurance that the Corporation will comply with all the relevant conditions and that the tax credit will be received. ITCs are subject to examination and approval by regulating authorities, and, therefore, the amounts granted may differ from those recorded. ITCs determined to be earned by the Corporation are recorded as a reduction of the operating expenses incurred.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

### Leases

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. The Corporation leases certain office premises and equipment in which a significant portion of the risks and rewards of ownership are retained by the lessor. These are classified as operating leases. Payments made under these leases (net of any incentives received from the lessor) are charged to the consolidated statements of earnings on a straight-line basis over the period of the lease.

Finance leases which transfer to the Corporation substantially all the risks and benefits of ownership of the asset are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Finance expenses are charged to the statements of earnings over the period of the agreement. Obligations under finance leases are included in other financial liabilities net of finance costs allocated to future periods. Capitalized leased assets are depreciated over the estimated life of the asset or the lease term.

### Pension schemes

The Corporation maintains a number of defined contribution schemes and contributions are charged to the consolidated statements of earnings in the year in which they are due. In addition, the Corporation operates defined benefit schemes which require contributions to be made to separately administered funds. The cost of providing benefits under defined benefit schemes is determined separately for each scheme using the projected unit credit actuarial valuation method. Current and past service costs together with curtailment and settlement costs are charged to operating profit. Interest costs which are based on a notional charge based on scheme liabilities during the year, less expected returns on scheme assets, are charged to net finance expenses. Actuarial gains and losses are fully recognized in equity through the consolidated statements of comprehensive income as they arise. The consolidated statements of financial position reflect the schemes' full surplus or deficit at the consolidated statement of financial position date.

### Share capital

Issuance costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of income tax effects.

### Dividends

Dividends on common shares are recognized in the Corporation's consolidated financial statements in the period in which the dividends are declared.

### Earnings per share

Basic earnings per share are determined using the weighted average number of shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of shares outstanding during the period, plus the effects of dilutive potential shares outstanding during the period. The calculation of diluted earnings per share is made using the treasury stock method.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

### Changes in accounting policies and disclosures

The Corporation has adopted the following new and revised standard, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to paying a levy and when a liability should be recognized.

The adoption of IFRIC 21 did not have a significant impact on the Corporation`s consolidated financial statements**.**

### Future accounting standard changes

The following standards have been issued but are not yet effective:

*IFRS 15 – Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, 'Revenue from Contracts with Customers' to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts', and other revenue recognition related interpretations. The standard will be effective January 1, 2017 for the Corporation with earlier adoption permitted.

*IFRS 9 – Financial Instruments*

In July 2014, the IASB amended IFRS 9, 'Financial Instruments' to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. The standard supersedes all previous versions of IFRS 9 and will be effective on January 1, 2018 for the Corporation with earlier application permitted.

The Corporation has not yet quantified the effect of these Standards nor does it intend at this time to early adopt these Standards until the mandatory effective date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

## 3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical trends and other factors, including expectations of future events that are likely to materialize under reasonable circumstances.

### Critical accounting estimates and assumptions

The Corporation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

### *Other identifiable intangible assets and goodwill*

Identifiable intangible assets and goodwill, excluding software and non-competition agreements, represented $2,334.4 of total assets on the consolidated statement of financial position as at December 31, 2014 ($855.4 as at December 31, 2013). These assets arise out of business combinations and the Corporation applies the acquisition method of accounting to these transactions. In measuring the fair value of the assets acquired and the liabilities assumed and estimating their useful lives, Management used significant estimates and assumptions regarding cash flow projections, economic risk and weighted cost of capital.

These estimates and assumptions determine the amount allocated to other identifiable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If results differ from estimates, the Corporation may be required to increase amortization or impairment charges.

### *Claims provisions*

In the normal course of business the Corporation faces legal proceedings for work carried out on projects. The Corporation has professional liability insurance in order to manage risks related to such proceedings. Management estimates the claims provisions, based on advice and information provided by its legal advisors, actuarial valuations and on its own past experience in the settlement of similar proceedings. Final settlements could have an effect on the financial position or operating results of the Corporation.

### *Retirement benefit obligations and related deferred tax*

The present value of obligations is calculated on an actuarial basis which depends on a number of assumptions relating to the future. These key assumptions are assessed regularly according to market conditions and data available to Management. Additional details are given in note 16.

### *Current Income Taxes*

The Corporation is subject to income tax laws and regulations in several jurisdictions. An estimate is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in the future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities.

## Critical judgements in applying the Corporation's accounting policies

### *Costs and anticipated profits in excess of billings*

The Corporation values its costs and anticipated profits in excess of billings based on the time and materials charged into each project. Costs and anticipated profits in excess of billings for each project are reviewed on a monthly basis to determine whether the amount is a true reflection of the amount that will be invoiced on the project. Where the review determines that the value of costs and anticipated profits in excess of billings exceed the amount that can be invoiced, adjustments are made to the costs and anticipated profits in excess of billings. The valuation of costs and anticipated profits in excess of billings involves estimates of the volume of work required to complete the project. Changes in the estimation of work required to complete the projects could lead to the undervaluation or overvaluation of costs and anticipated profits in excess of billings.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

***Deferred Tax Assets***

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Corporation's most recent approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Corporation operates are also carefully taken into consideration. If a forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, this deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

## 4 Business acquisitions

The acquisitions have been accounted for using the acquisition method, and the operating results have been included in the consolidated financial statements from the date of acquisition. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation will report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The measurement period is the period from the date of acquisition to the date the Corporation obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

### 2014 Transactions

**a) Acquisition of Focus Group Holdings Inc. ("Focus")**

On April 10, 2014, the Corporation concluded the transaction pertaining to the acquisition of Focus Group Holdings Inc. ("Focus") by acquiring all of the issued and outstanding shares of Focus for an aggregate amount of $363.7 or $233.5 net of debt and cash acquired. Focus is a multidisciplinary engineering and geomatics firm based in Alberta principally serving the oil and gas industry in western Canada.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

The table below presents Management's final assessment of the fair values of the assets acquired and the liabilities assumed. Management was assisted by an independent valuator.

| | Preliminary | Adjustments | Final |
|---|---|---|---|
| **Recognized amounts of identifiable assets acquired and liabilities assumed** | | | |
| Current Assets | | | |
| Cash | 9.8 | - | 9.8 |
| Trade, prepaid and other receivables | 61.3 | (1.2) | 60.1 |
| Costs and anticipated profits in excess of billings | 11.8 | 0.1 | 11.9 |
| Property and equipment | 13.0 | - | 13.0 |
| Computer Software | 2.3 | - | 2.3 |
| Intangible assets | 24.6 | 9.8 | 34.4 |
| Deferred income tax assets | 1.4 | - | 1.4 |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | (56.5) | (1.0) | (57.5) |
| Billings in excess of costs and anticipated profits | (0.2) | 0.2 | - |
| Long-term debt | (113.3) | - | (113.3) |
| Deferred income tax liabilities | (11.7) | 0.3 | (11.4) |
| **Fair value of identifiable assets and liabilities assumed** | **(57.5)** | **8.2** | **(49.3)** |
| Goodwill | 291.0 | (8.2) | 282.8 |
| **Total purchase consideration** | **233.5** | **-** | **233.5** |
| Cash acquired | (9.8) | - | (9.8) |
| Consideration receivable (payable) | 2.0 | (2.0) | - |
| Repayment of debt and payables | 140.0 | - | 140.0 |
| **Cash disbursements** | **365.7** | **(2.0)** | **363.7** |

Goodwill is attributable to the workforce of the acquired business and the synergies expected to arise with the Corporation after the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The receivables acquired (which mainly comprise trade receivables) had a fair value and gross contractual amount of $52.1.

The acquired business contributed revenues of $237.5 and net earnings of $23.7 from April 10, 2014, to December 31, 2014. If the acquisition of Focus had occurred on January 1, 2014, the Corporation's revenues and net earnings for the year would have increased by $85.0 and to $1.9, respectively.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

**b) Acquisition of Parsons Brinckerhoff**

On October 31, 2014, the Corporation concluded the transaction pertaining to the acquisition of the entities comprising the business of Parsons Brinckerhoff Group Inc. (collectively, "Parsons Brinckerhoff"), the professional services arm of Balfour Beatty, for a consideration of US$1,310.2 (CAD$1,471.1) including cash retained by Parsons Brinckerhoff of US$68.7 (CAD$76.5), subject to certain closing and post-closing adjustments.

The table below presents Management's preliminary assessment of the fair values of the assets acquired and the liabilities assumed. The final assessment of the fair values will be finalized after the values of assets and liabilities have been definitively determined. Accordingly, the following values are subject to change and such changes can be material. Management was assisted by an independent valuator.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

| | Preliminary |
|---|---|
| **Recognized amounts of identifiable assets acquired and liabilities assumed** | |
| Current Assets | |
| Cash | 76.5 |
| Trade, prepaid and other receivables | 539.3 |
| Costs and anticipated profits in excess of billings | 407.9 |
| Property and equipment | 91.5 |
| Computer Software | 1.9 |
| Intangible assets | 216.9 |
| Deferred income tax assets | 44.4 |
| Other non-current assets | 82.5 |
| Current Liabilities | |
| Accounts payable and accrued liabilities | (571.0) |
| Billings in excess of costs and anticipated profits | (215.7) |
| Long-term debt | (0.5) |
| Retirement benefit obligations | (103.9) |
| Deferred income tax liabilities | (13.1) |
| | **556.7** |
| **Fair value of identifiable assets and liabilities assumed** | |
| Goodwill | 914.4 |
| **Total purchase consideration** | **1,471.1** |
| Cash acquired | (76.5) |
| Consideration receivable (payable) | - |
| Repayment of debt and payables | - |
| **Cash disbursements** | **1,394.6** |

Goodwill is attributable to the workforce of the acquired business and the synergies expected to arise with the Corporation after the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The receivables acquired (which mainly comprise trade receivables) had a fair value and gross contractual amount of $469.4.

The acquired business contributed revenues of $482.2 and a net loss of $11.8 from November 1, 2014, to December 31, 2014. If the acquisition of Parsons Brinckerhoff had occurred on January 1, 2014, the Corporation's revenues and net earnings for the year would have increased by $2,317.8 and by $7.4, respectively.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

**c) Other acquisitions made by the Corporation in 2014**

In 2014, the Corporation concluded a number of other acquisitions, notably Technip TPS ('TPS') and Winward Group ('WINWARD') in the second quarter of 2014 and Texas Engineers, Inc., doing business as ccrd ('ccrd') and Dessau CEI S.A.S., Dessau International Inc.'s Colombian engineering subsidiary, in the fourth quarter of 2014.

The table below presents Management's preliminary assessment of the fair values of the assets acquired and the liabilities assumed. The final assessment of the fair values will be finalized after the values of assets and liabilities have been definitively determined. Accordingly, the following values are subject to change and such changes can be material.

These acquisitions were not individually material, therefore the Corporation has chosen to disclose the required information in aggregates.

| | **Preliminary** |
|---|---|
| **Recognized amounts of identifiable assets acquired and liabilities assumed** | |
| Current Assets | |
| Cash | 19.9 |
| Trade, prepaid and other receivables | 36.9 |
| Costs and anticipated profits in excess of billings | 5.4 |
| Property and equipment | 3.9 |
| Computer Software | 0.3 |
| Intangibles assets | 3.9 |
| Deferred income tax assets | 0.3 |
| Current Liabilities | |
| Accounts payable and accrued liabilities | (24.1) |
| Billings in excess of costs and anticipated profits | (14.5) |
| Long-term debt | (3.4) |
| Deferred income tax liabilities | (5.5) |
| **Fair value of identifiable assets and liabilities assumed** | **23.1** |
| Goodwill | 42.7 |
| **Total purchase consideration** | **65.8** |
| Cash acquired | (19.9) |
| Consideration receivable (payable) | (8.5) |
| Repayment of debt and payables | - |
| **Cash disbursements** | **37.4** |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

Goodwill is attributable to the workforce of the acquired business and the synergies expected to arise with the Corporation after the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

### 2013 Transactions

There were no significant acquisitions during 2013.

## 5 Joint arrangements

The Corporation holds interests in various joint arrangements. The lists below present the most significant joint arrangements that have been identified and classified as joint operations.

**2014**

| Name | Interest | Country | Main activity |
|---|---|---|---|
| Consortium GENIVAR / AECOM | 75% | Canada | Engineering services |
| Consortium SLG | 43% | Canada | Engineering services |
| Consortium GENIVAR / EXP | 50% | Canada | Engineering services |
| Consortium BPR / GENIVAR | 50% | Canada | Engineering services |
| Consortium SNC LAVALIN / CIMA+ / GENIVAR | 33% | Canada | Engineering services |
| Consortium GENIVAR / DESSAU | 50% | Canada | Engineering services |
| Consortium GENIVAR / WASKA | 80% | Canada | Engineering services |
| Consortium AXOR / GENIVAR | 49% | Canada | Engineering services |
| Consortium ACORP / FGM / JV | 50% | Canada | Engineering services |
| KAWSP | 40% | Qatar | Engineering services |
| Carillon WSP | 40% | England | Engineering services |
| KierWSP | 50% | England | Engineering services |
| Barhale WSP | 35% | England | Engineering services |
| HyderWSP | 50% | England | Engineering services |
| Parsons Brinckerhoff Hirota Associates | 90% | US | Engineering services |
| PB / AZ&B – A Joint Venture | 70% | US | Engineering services |
| Tollway Transportation Team | 51% | US | Engineering services |
| PB – Dewberry | 50% | US | Engineering services |
| Parsons Brinckerhoff – Metcalf & Eddy | 50% | US | Engineering services |
| Arup PB Joint Venture | 50% | US | Engineering services |
| Eastside LRT Partners | 50% | US | Engineering services |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

**2013**

| Name | Interest | Country | Main activity |
|---|---|---|---|
| Consortium GENIVAR / AECOM TECSULT | 55% | Canada | Engineering services |
| Consortium GENIVAR / DESSAU / ROCHE | 40% | Canada | Engineering services |
| Consortium GENIVAR / DESSAU | 50% | Canada | Engineering services |
| Groupement SLG | 43% | Canada | Engineering services |
| Consortium SNC-LAVALIN / CIMA+ / GENIVAR | 33% | Canada | Engineering services |
| GENIVAR / WASKA | 80% | Canada | Engineering services |
| Consortium GROUPE ARCOP/GERSOVITZ MOSS ARCHITECTS | 50% | Canada | Architecture services |
| Consortium GENIVAR / AECOM | 75% | Canada | Engineering services |
| Consortium AXOR / GENIVAR | 49% | Canada | Engineering services |
| Consortium BPR / GENIVAR | 50% | Canada | Engineering services |
| Carillion WSP | 40% | England | Engineering services |
| WSP May Gurney | 50% | England | Engineering services |
| Barhale WSP | 35% | England | Engineering services |
| KAWSP | 40% | Qatar | Engineering services |
| HGC CONSORTIUM | 55% | Colombia | Engineering services |

There are no significant contingent liabilities relating to the Corporation's interest in the above identified joint operations, and no contingent liabilities of the venture itself.

The Corporation also has a 50% interest in a joint arrangement which has been identified and classified as a joint venture, which is accounted for using the equity method (note 8).

## 6 Cash and cash equivalents

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Cash and cash equivalents | 201.5 | 131.9 |
| Less: Bank overdraft (note 15) | (25.2) | (31.8) |
| **Cash and cash equivalents less bank overdraft** | 176.3 | 100.1 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

As at December 31, 2014, and 2013, the Corporation has set aside in a bank account an amount of $2.6 as a security for the payment and performance of its guarantor's obligations for a joint venture (note 8). As well, the Corporation has set aside in a bank account an amount of $0.5 for the balance of purchase price of an acquisition made during the year.

## 7 Trade, prepaid and other receivables

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Trade receivables | 1,038.6 | 423.8 |
| Allowance for doubtful accounts | (12.6) | (7.8) |
| Net trade receivables* | 1,026.0 | 416.0 |
| Amounts due from joint ventures and associates undertaking | 21.9 | 9.9 |
| Other receivables* | 103.3 | 20.9 |
| Prepaid expenses | 82.9 | 36.5 |
| | 1,234.1 | 483.3 |

*Net trade receivables and other receivables include holdbacks amounting to $40.4 ($6.0 as at December 31, 2013).

The aging of gross trade receivables past due was as follows:

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Past due 0-30 days | 110.0 | 76.5 |
| Past due 31-60 days | 44.6 | 35.3 |
| Past due 61-90 days | 189.5 | 20.1 |
| Past due 91-180 days | 60.0 | 28.4 |
| Past due over 180 days | 85.5 | 36.4 |
| **Balance – End of year** | 489.6 | 196.7 |

**Allowance for doubtful accounts**
The changes in the allowance for doubtful accounts were as follows:

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| **Balance – Beginning of year** | 7.8 | 4.2 |
| Adjustments of allowance | 3.9 | 3.3 |
| Exchange differences | 0.9 | 0.3 |
| **Balance – End of year** | 12.6 | 7.8 |

The Corporation is exposed to credit risk with respect to its trade receivables and maintains provisions for potential credit losses. Potential for such losses is mitigated because customer creditworthiness is evaluated before credit is extended and there is no significant exposure to a single customer.

## 8 Other assets

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Deferred financing fees | 6.9 | 2.6 |
| Investments | | |
| Investment in associates* | 32.3 | 32.1 |
| Investment in a joint venture | 1.0 | 1.2 |
| Financial assets available for sale** | 85.7 | 1.5 |
| | 125.9 | 37.4 |

* The Corporation has interests in two individually immaterial associates, Multiconsult AS and LINK Arkitketur AB, in which it ultimately holds a 24.7% and a 27.9% interest. Both associates are located in Norway and provide consulting services comparable to the Corporation. The interests in these two associates are accounted for using the equity method.

** Included in Financial assets available for sale are investments in a multitude of mutual funds, based on employees' investment elections, with respect of the deferred compensation obligations of the Corporation as disclosed in note 16. The fair value of these investments is $83.8, determined by the market price of the funds at the reporting date.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

| **Investment in associates** | **December 31, 2014 $** | **December 31, 2013 $** |
|---|---|---|
| **Balance – Beginning of year** | 32.1 | 28.5 |
| Share of net earnings from continuing operations and comprehensive income | 6.4 | 5.2 |
| Dividends received from associates | (1.8) | (1.7) |
| Exchange differences | (4.4) | 0.1 |
| **Balance – End of year** | 32.3 | 32.1 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 9 Property, plant and equipment

| | Land and buildings $ | Leasehold improvements $ | Furniture and equipment $ | Computer equipment $ | Total $ |
|---|---|---|---|---|---|
| **Balance as at January 1, 2013** | | | | | |
| Cost | 24.7 | 19.6 | 35.3 | 46.2 | 125.8 |
| Accumulated depreciation | (2.5) | (5.6) | (12.8) | (16.8) | (37.7) |
| Net value | 22.2 | 14.0 | 22.5 | 29.4 | 88.1 |
| Additions | 0.3 | 3.8 | 9.0 | 9.2 | 22.3 |
| Additions through business acquisitions (note 4) | 0.4 | - | 0.2 | 0.3 | 0.9 |
| Disposals | - | (0.2) | (0.6) | (0.3) | (1.1) |
| Depreciation for the year | (0.6) | (3.7) | (9.5) | (10.9) | (24.7) |
| Transfers | - | - | 6.2 | (6.2) | - |
| Exchange differences | - | 0.3 | 0.8 | 0.8 | 1.9 |
| | 0.1 | 0.2 | 6.1 | (7.1) | (0.7) |
| Balance as at December 31, 2013 | 22.3 | 14.2 | 28.6 | 22.3 | 87.4 |
| **Balance as at December 31, 2013** | | | | | |
| Cost | 25.4 | 23.3 | 54.0 | 43.4 | 146.1 |
| Accumulated depreciation | (3.1) | (9.1) | (25.4) | (21.1) | (58.7) |
| Net value | 22.3 | 14.2 | 28.6 | 22.3 | 87.4 |
| Additions | 0.3 | 6.6 | 16.0 | 17.4 | 40.3 |
| Additions through business acquisitions (note 4) | 10.1 | 49.8 | 31.7 | 16.8 | 108.4 |
| Disposals | 0.0 | (0.1) | (0.5) | (0.1) | (0.7) |
| Depreciation for the year | (0.9) | (5.9) | (13.0) | (14.0) | (33.8) |
| Exchange differences | 0.0 | 0.8 | (0.1) | 0.1 | 0.8 |
| | 9.5 | 51.2 | 34.1 | 20.2 | 115.0 |
| Balance as at December 31, 2014 | 31.8 | 65.4 | 62.7 | 42.5 | 202.4 |
| **Balance as at December 31, 2014** | | | | | |
| Cost | 35.9 | 80.3 | 99.7 | 77.7 | 293.6 |
| Accumulated depreciation | (4.1) | (14.9) | (37.0) | (35.2) | (91.2) |
| Net value | 31.8 | 65.4 | 62.7 | 42.5 | 202.4 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 10 Intangible assets

| | Software $ | Contract backlogs $ | Customer relationships $ | Non-competition agreements $ | Trade names $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance as at January 1, 2013** | | | | | | |
| Cost | 40.0 | 23.6 | 112.8 | 2.4 | 50.8 | 229.6 |
| Accumulated amortization | (18.9) | (5.7) | (46.0) | (1.9) | - | (72.5) |
| Net value | 21.1 | 17.9 | 66.8 | 0.5 | 50.8 | 157.1 |
| Additions | 16.2 | - | - | - | - | 16.2 |
| Additions through business acquisitions (note 4) | - | - | - | - | - | - |
| Amortization for the year | (12.8) | (7.7) | (13.2) | (0.3) | - | (34.0) |
| Exchange differences | 0.9 | 0.9 | 1.3 | - | 4.0 | 7.1 |
| | 4.3 | (6.8) | (11.9) | (0.3) | 4.0 | (10.7) |
| Balance as at December 31, 2013 | 25.4 | 11.1 | 54.9 | 0.2 | 54.8 | 146.4 |
| **Balance as at December 31, 2013** | 51.7 | 20.6 | 112.9 | 0.8 | 54.8 | 240.8 |
| Cost | | | | | | |
| Accumulated amortization | (26.3) | (9.5) | (58.0) | (0.6) | 0.0 | (94.4) |
| Net value | 25.4 | 11.1 | 54.9 | 0.2 | 54.8 | 146.4 |
| Additions | 7.2 | 0.0 | 0.1 | 0.0 | 0.0 | 7.3 |
| Additions through business acquisitions (note 4) | 4.5 | 105.0 | 123.5 | 1.9 | 24.8 | 259.7 |
| Disposals | (0.7) | 0.0 | 0.0 | 0.0 | 0.0 | (0.7) |
| Amortization for the year | (12.2) | (11.8) | (17.1) | (0.5) | (2.1) | (43.7) |
| Exchange differences | 0.0 | 2.1 | 2.2 | (0.1) | 1.8 | 6.0 |
| | (1.2) | 95.3 | 108.7 | 1.3 | 24.5 | 228.6 |
| **Balance as at December 31, 2014** | 24.2 | 106.4 | 163.6 | 1.5 | 79.3 | 375.0 |
| Balance as at December 31, 2014 | 56.8 | 128.5 | 239.0 | 2.6 | 81.5 | 508.4 |
| Cost | | | | | | |
| Accumulated amortization | (32.6) | (22.1) | (75.4) | (1.1) | (2.2) | (133.4) |
| Net value | 24.2 | 106.4 | 163.6 | 1.5 | 79.3 | 375.0 |

The carrying amount of intangible assets assessed as having an indefinite useful life, which consists of the WSP trade name, is $51.6 as at December 31, 2014 ($50.2 in 2013).

The Corporation performed its annual impairment test for the WSP trade name as at September 30, 2014 and 2013 in accordance with its policy described in note 2. As a result, no impairment for the WSP trade name was recorded.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

During the year, the Corporation acquired intangible assets amounting to $267.0 ($16.2 in 2013), all of which are subject to amortization.

## 11 Goodwill

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| **Balance – Beginning of year** | 734.6 | 701.1 |
| Goodwill resulting from business acquisitions (note 4) | 1,239.9 | 0.6 |
| Exchange differences | 10.6 | 32.9 |
| **Balance – End of year** | 1,985.1 | 734.6 |

Goodwill amounting to $1,985.1 ($734.6 as at December 31, 2013) is allocated to the Corporation's CGUs. The carrying value of goodwill by CGU is identified in the table below:

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| **Goodwill allocated to CGU** | | |
| Canada | 534.2 | 217.9 |
| United States | 897.8 | 98.2 |
| United Kingdom | 214.2 | 117.9 |
| Europe | 238.4 | 243.8 |
| Rest of the World | 100.5 | 56.8 |
| | 1,985.1 | 734.6 |

### Impairment test of goodwill

The Corporation performed its annual impairment test for goodwill as at September 30, 2014 and 2013 in accordance with its policy described in note 2. The recoverable value of each CGU exceeded their carrying values. As a result, no goodwill impairment was recorded.

Following the acquisition of Parsons Brinckerhoff on October 31, 2014, the Corporation reperformed its impairment test for goodwill. The recoverable value of each CGU exceeded their carrying values. As a result, no goodwill impairment was recorded.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

### Valuation technique

*Fair value less costs of disposal*

The recoverable value of each CGU was based on fair value less costs of disposal. The following methodology and assumptions were applied to determine the fair value less costs of disposal for all CGUs.

The fair value less costs of disposal is calculated using the budgeted 2015 revenues and EBITDA margin and a constant growth for the next four years by the CGU. The EBITDA is defined as earnings before financial expenses, taxes, depreciation and amortization. The Corporation considered past experience, economic trends as well as industry and market trends in assessing if the level of EBITDA can be maintained in the future. For the purpose of this test, Management used a 5-year period to project future cash flows. Beyond this period, the Corporation used a growth rate varying between 2.0% and 2.5%and a discount rate varying between 9.5% and 10.5%. The discount rate represents the weighted average cost of capital ("WACC"). The WACC is an estimate of the overall rate of return required by debt and equity holders on their investments. Determining the WACC requires analyzing the cost of equity and debt separately, and takes into account a risk premium that is based on the applicable CGU. Costs of disposal are calculated based on 0.75% of the total fair value so determined, which is in line with the transaction costs incurred in comparable transactions.

## 12 Long-Term Incentive Plan (“LTIP”)

In 2011, the Corporation adopted a LTIP for certain employees. Under this plan, units could be issued in the form of restricted share units (“RSUs”) or stock options. The total number of shares reserved and available for grant and issuance pursuant to RSUs and stock options is limited to 2,080,950 shares. In 2014, the Corporation also adopted a Performance Share Unit Plan (“PSUs”).

### RSUs

The RSUs can be settled in cash or in shares, vest if certain Corporation performance targets are met and payable, at the earliest, on March 28, 2016. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as an expense, or recovery, over the vesting period of the award. At the end of each financial reporting period, changes in the Corporation’s payment obligation due to changes in the market value of the common shares on the TSX, or change in the number of units based on the expected Corporation’s performance, are recorded as an expense or recovery. As at December 31, 2014, 172,555 RSUs are outstanding. The Corporation recorded an expense of $0.6 during the year (nil in 2013) related to the RSUs in Personnel Costs.

### Stock options

Options granted under the stock option plan, to officers and employees, may be exercised during a period not exceeding ten years from the date of grant. Options vest 3 years after the date of grant. Any unexercised options will expire at the earlier of one month after the date a beneficiary ceases to be an employee or the expiration date of the stock options granted. As at December 31, 2014, 222,958 stock options were outstanding at an exercise price of $35.45 and 58,631 stock options at an exercise price of $37.75.

On March 31, 2014 the Board of Directors granted a single award of 20,000 stock options to an officer of the Corporation to purchase common shares of the Corporation. These stock options vest in three equal

instalments over a period of two years, with the first instalment vesting on the date of the grant, the second on the first anniversary of the date of the grant and the third on the second anniversary of the date of the grant at an exercise price of $35.12. These stock options may be exercised during a period not exceeding ten years from the date of the grant.

The Corporation recorded a stock based compensation expense of $0.5 during the year in Personnel Costs.

The fair value of stock options at the grant date was measured using the Black-Scholes option pricing model. The historical share price of the Corporation's common shares is used to estimate expected volatility, and government bond rates are used to estimate the risk-free interest rate. The following table illustrates the inputs used in the measurement of the fair values of the stock options at the grant date granted during the period ended December 31, 2014:

| | **For the twelve months ended December 31, 2014** |
|---|---|
| Expected stock price volatility | 22%-35% |
| Dividend | 3.8%-4.2% |
| Risk-free interest rate | 1.5%-2.5% |
| Expected option life | 3-5 years |
| Fair value – weighted average of options issued | $5.00-$6.91 |

### PSUs

The PSUs are settled in cash and vest if certain Corporation performance targets are met and payable at the earliest on March 25, 2017. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as an expense or recovery over the vesting period of the award. At the end of each financial reporting period, changes in the Corporation's payment obligation due to changes in the market value of the common shares on the TSX, or change in the number of units based on the expected Corporation's performance, are recorded as an expense or recovery. As at December 31, 2014, there are 169,943 PSUs outstanding. The Corporation recorded an expense of $1.2 during the year related to the PSUs in Personnel Costs.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 13 Accounts payable and accrued liabilities

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Trade payables | 315.1 | 95.2 |
| Employee benefits payable | 296.2 | 111.3 |
| Sale taxes | 40.8 | 24.4 |
| Amounts due to joint venture and associated undertakings | 1.9 | - |
| Accrued expenses and other payables | 348.6 | 97.4 |
| Provisions | 102.8 | 46.6 |
| | 1,105.4 | 374.9 |
| Less: Non-current provisions | 41.0 | 11.4 |
| Accounts payable and accrued liabilities | 1,064.4 | 363.5 |

The following table presents the movement in provisions for the years ended December 31, 2014 and 2013.

| | Claims provisions $ | Property provisions $ | Other provisions $ | Total $ |
|---|---|---|---|---|
| **Balance as at December 31, 2012** | 30.9 | 15.7 | 0.0 | 46.6 |
| Business acquisitions | - | - | - | - |
| Additional provision | 5.0 | - | 0.0 | 5.0 |
| Paid or otherwise settled | (5.9) | (2.2) | 0.0 | (8.1) |
| Exchange differences | 2.1 | 1.0 | 0.0 | 3.1 |
| **Balance as at December 31, 2013** | 32.1 | 14.5 | 0.0 | 46.6 |
| Business acquisitions | 38.4 | - | 29.4 | 67.8 |
| Additional provision | 7.7 | 0.3 | 1.9 | 9.9 |
| Paid or otherwise settled | (19.9) | (1.6) | (3.0) | (24.5) |
| Exchange differences | 1.6 | 0.4 | 1.0 | 3.0 |
| **Balance as at December 31, 2014** | 59.9 | 13.6 | 29.3 | 102.8 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 14 Long-term debts

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Credit facilities | 786.1 | 179.8 |
| Mortgage bearing interest at 5.75%, payable in monthly instalments of less than $0.1 including principal and interest, secured by a hypothec over land and building with a net book value of $10.2, renewable in August 2015 | 6.4 | 6.5 |
| Debts bearing interest at Colombia's prime rate plus a margin varying from 5.38% to 7.65%, maturing between February 2015 and August 2015 | 4.6 | 1.1 |
| Other long-term debts | 2.0 | 1.8 |
| | 799.1 | 189.2 |
| Less: Current portion | 11.0 | 1.5 |
| | 788.1 | 187.7 |

### Credit facilities

WSP had in place a $600.0 million credit facility with a syndicate of financial institutions (the "Lenders"). Concurrently with the announcement (and closing) of the Parsons Brinckerhoff acquisition (note 4), WSP obtained an underwritten financing from Canadian Imperial Bank of Commerce, as sole lead arranger and sole book runner, providing for:

a senior secured revolving credit facility in the maximum amount of US$800.0 to amend and restate the Credit Facility (the "Revolving Credit Facility"), maturing on December 31, 2018; and

a senior secured non-revolving term credit facility consisting of three tranches in the maximum principal amounts of US$100.0, US$100.0 and US$200.0, each available as a single drawdown and maturing on the second, third and fourth anniversaries, respectively, of the Parsons Brinckerhoff acquisition closing date (collectively, the "Term Facility"), being October 31, 2014.

The credit facilities are secured by a first ranking hypothec over the universality of the movable assets of the Corporation and some of its subsidiaries. The credit facilities bear interest at Canadian prime rate, US-based rate, Bankers' acceptances rate and LIBOR plus an applicable margin up to 3.0% that will vary depending on the type of advances and the Corporation's ratios, as defined in the agreement with the Lenders. The Corporation pays a commitment fee on the available unused credit facilities.

Under these credit facilities, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. The main covenants are in regard to its consolidated funded debt to consolidated EBITDA and the interest coverage ratios, which are non-IFRS measures. Management reviews compliance

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with these covenants on a quarterly basis in conjunction with filing requirements under its credit facilities. All covenants have been met as at December 31, 2014.

Under the credit facilities, the Corporation may issue irrevocable letters of credit up to US$250.0, decreasing the amount available on such credit facilities. The Corporation issued, in the normal course of business, irrevocable letters of credit totaling $168.3 as at December 31, 2014 ($6.0 in 2013) for its own commitments, thus decreasing such available credit facilities.

As at December 31, 2014, the Corporation had available other operating lines of credit amounting to $41.2 ($15.9 in 2013), of which $12.8 ($9.8 in 2013) were unused at year-end.

Credit facilities allocation by borrowed currency:

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Sterling | - | 129.2 |
| US dollar | 543.0 | 50.6 |
| Euro | 14.1 | - |
| Canadian dollar | 229.0 | - |
| | 786.1 | 179.8 |

The instalments due on long-term debts over each of the next four years amount to $11.0 in 2015, $112.0 in 2016, $110.0 in 2017 and $566.1 in 2018.

## 15 Other financial liabilities

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Bank overdraft (note 6) | 25.2 | 31.8 |
| Loan Payable | 4.3 | 4.6 |
| Notes payable* | 9.5 | 4.5 |
| Balances payable to former shareholders | - | 0.1 |
| Obligations under finance leases | 7.1 | 11.4 |
| Other obligations | 0.2 | 0.5 |
| | 46.3 | 52.9 |
| Less: Current portion | 44.3 | 46.2 |
| | 2.0 | 6.7 |

* Notes payable to the vendors in business acquisitions bear interest at fixed rate varying from 3.0% to 5.0%, prime rate or are without interest. As at December 31, 2014, the prime rate was 3.0% (3.0% in 2013).

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

The instalments due on financial liabilities over each of the next two years amount to $44.3 in 2015 and $2.0 in 2016.

## 16 Pensions schemes

Pension costs included in personnel costs consist of the following:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Defined benefit schemes | 0.5 | 0.6 |
| Defined contribution schemes | 59.4 | 55.7 |
| | 59.9 | 56.3 |

The Corporation operated both defined contribution and defined benefit pension schemes. Defined contributions are charged to the consolidated statements of earnings as they are incurred.

In Canada, the Corporation has defined contribution retirement savings plans for its employees. Pursuant to these plans, the Corporation pays a contribution equivalent to the employee contribution up to a maximum varying from 3% to 5% of the employee's salary. An employee acquires the whole employer contributions after two years of continuous service or if he loses his job due to a layoff resulting from a lack of work.

In the United Kingdom, there are five separate defined benefit schemes, all of which are closed to new members. The assets of the schemes are held separately from those of the Corporation in independently administered funds. Pensionable salaries are frozen following consultation with staff.

In Sweden, a proportion of the multi-employer Government-run defined benefit plan is carried on the Corporation's consolidated statement of financial position. Future service accrual under this arrangement ceased in 2008 where the employees became fully included in the Government plan's arrangements. The multi-employer Government plan retains substantial other assets to meet the balance of pension liabilities. As the directors are unable to identify the underlying assets and liabilities of this element of the scheme, it is treated as a defined contribution scheme for the purposes of IAS 19 "Employee Benefits."

In the US, as a result of the acquisition of Parsons Brinckerhoff (see note 4), the Corporation now maintains a deferred compensation plan accounted for under IAS 19 where an element of employee's compensation is deferred and invested in available-for-sale assets (as disclosed in note 8) in a trust, the assets of which are for the ultimate benefit of the employees but are available to the Corporation's creditors in the event of insolvency.

For funded and unfunded defined benefit plans, any deficit of the fair value of plan assets over the present value of the defined benefit obligation is recognized as a liability in the consolidated statement of financial position. Actuarial gains and losses are recognized in full as they arise in the consolidated statement of comprehensive income. These reflect changes in actuarial assumptions, and differences between actuarial assumptions and what has actually occurred.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

The actuarial cost charged to the consolidated statements of earnings in respect of defined benefit plans consists of current service costs, finance expense, expected return on plan assets, past service costs and costs of curtailments.

The liabilities of the Corporation arising from defined benefit obligations and their related current service cost are determined using the projected unit credit method. Valuations are performed annually. Actuarial advice is provided by both external consultants and actuaries. The actuarial assumptions used to calculate the benefit obligations vary according to the economic conditions of the country in which the plan is located and are set out below. To develop the expected long-term rate of return on assets assumption, the Corporation considered the current level of expected returns on risk-free investments (primarily UK government bonds) and the historical level of risk premium associated with the other asset classes in which the portfolio is invested. The expected return for each asset class was then applied to the schemes' asset allocations to develop the overall expected long-term rate of return on assets for the combined portfolios.

### Assumptions

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| **United Kingdom** | | |
| Rate of increase in pensionable salaries | - | - |
| Rate of increase in pensions in payment | 3.6% | 3.8% |
| Discount rate | 3.5% | 4.5% |
| Inflation assumption | 3.3% | 3.0% to 3.7% |
| Life expectancy at age 65 (for member currently aged 65) | | |
| - Men | 87.8 | 87.7 |
| - Women | 90.2 | 90.1 |
| Life expectancy at age 65 (for member currently aged 50) | | |
| - Men | 89.2 | 89.2 |
| - Women | 91.6 | 91.5 |
| **Sweden** | | |
| Rate of increase in pensionable salaries | - | - |
| Rate of increase in pensions in payment | - | - |
| Discount rate | 2.7% | 4.2% |
| Inflation assumption | 1.5% | 2.0% |
| Life expectancy at age 65 (for member currently aged 65) | | |
| - Men | 88.0 | 88.0 |
| - Women | 90.0 | 90.0 |
| Life expectancy at age 65 (for member currently aged 50) | | |
| - Men | 88.0 | 87.0 |
| - Women | 90.0 | 89.0 |
| **United States** | | |
| Discount rate | 2.8% to 3.5% | - |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

The major categories of plan assets are as follows:

| | December 31, 2014 | | December 31,2013 | |
|---|---|---|---|---|
| | **Fair value $** | **%** | **Fair value $** | **%** |
| Equities | 59.7 | 39 | 52.2 | 39 |
| Bonds | 77.8 | 50 | 46.9 | 35 |
| Others | 17.3 | 11 | 34.9 | 26 |

As at December 31, 2014 approximately 39% of the plan assets are directly invested in publically traded securities. As well, the plan invests in pooled funds which are not publically traded but have underlying securities which are publically traded – including these pooled funds, approximately 90% of the plan assets could be considered publically traded securities.

| | **December 31, 2014 $** | **December 31, 2013 $** |
|---|---|---|
| Fair value of plan assets | 154.8 | 134.0 |
| Present value of funded obligations (United Kingdom) | (229.3) | (200.2) |
| | (74.5) | (66.2) |
| Present value of unfunded obligations (Sweden) | (43.2) | (38.2) |
| Present value of unfunded obligations (United States) | (106.1) | - |
| Pension liability | (223.8) | (104.4) |

Amounts recognized in the consolidated statements of earnings are as follows:

| | **2014 $** | **2013 $** |
|---|---|---|
| Current service costs | 1.7 | 0.6 |

| | **2014 $** | **2013 $** |
|---|---|---|
| Interest expenses | 11.1 | 8.8 |
| Expected return on plan assets | (6.3) | (4.8) |
| Net finance expenses on pension obligations | 4.8 | 4.0 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

Changes in the present value of the defined benefit obligation are as follows:

| | 2014 $ | 2013 $ |
|---|---|---|
| **Present value of obligation – Beginning balance** | 238.4 | 215.8 |
| Deferred Compensation plan from acquisition of Parsons Brinckerhoff (note 4) | 103.9 | - |
| Current service costs | 1.7 | 0.6 |
| Contributions from scheme members | 0.3 | 0.3 |
| Benefits paid | (8.0) | (6.3) |
| Interest expenses | 11.1 | 8.8 |
| Actuarial loss (assumptions) | 28.4 | 0.5 |
| Actuarial gain (experience) | (0.4) | (0.3) |
| Foreign exchange differences | 3.2 | 19.0 |
| **Present value of obligation – End of year** | 378.6 | 238.4 |

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

| | 2014 $ | 2013 $ |
|---|---|---|
| **Fair value of plan assets – Beginning balance** | 134.0 | 110.4 |
| Expected return on plan assets | 6.3 | 4.8 |
| Contributions from scheme members | 0.3 | 0.3 |
| Contributions from employer | 9.9 | 7.6 |
| Benefits paid | (4.8) | (5.7) |
| Actuarial gain (experience) | 5.9 | 5.8 |
| Foreign exchange differences | 3.2 | 10.8 |
| **Fair value of plan assets – End of year** | 154.8 | 134.0 |

Analysis of the movement in net deficit

| | 2014 $ | 2013 $ |
|---|---|---|
| **Beginning balance** | 104.4 | 105.4 |
| Deferred Compensation plan from acquisition of Parsons Brinckerhoff (note 4) | 103.9 | - |
| Current service costs | 1.7 | 0.6 |
| Net interest expenses | 4.8 | 4.0 |
| Benefits paid | (3.2) | (0.6) |
| Contributions from employer | (9.9) | (7.6) |
| Net actuarial loss/(gain) recognized in the period | 22.1 | (5.6) |
| Foreign exchange movements | - | 8.2 |
| **End of year** | 223.8 | 104.4 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Present value of scheme assets | 154.8 | 134.0 |
| Fair value of scheme liabilities | (378.6) | (238.4) |
| Deficit | 223.8 | 104.4 |

Cumulative actuarial (losses)/gains recognized in equity are as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Beginning balance** | 9.1 | 3.5 |
| Net actuarial (loss)/gain recognized in the year | (22.1) | 5.6 |
| **Balance – End of year** | (13.0) | 9.1 |

Sensitivity analysis of the overall pension deficit to changes in principal assumptions is shown below:

| Assumption | Change | Impact on deficit |
|---|---|---|
| Discount rate | +/- 0.1% | Decrease/increase $5.3 |
| Inflation rate | +/- 0.1% | Decrease/increase $2.6 |
| Mortality | +/- 1 year | Decrease/increase $8.1 |

The combined employee and employer contributions expected to be paid during the financial year ending December 31, 2015, amount to approximately $11.0.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 17 Share capital

*Authorized*

An unlimited number of common shares without par value, voting and participating.

An unlimited number of preferred shares without par value, participating, issuable in series.

*Issued and paid*

| | Common shares | |
|---|---|---|
| | **Number** | **$** |
| **Balance as at January 1, 2013** | 51,056,441 | 903.3 |
| Shares issued under the DRIP | 1,324,622 | 31.1 |
| **Balance as at December 31, 2013** | 52,381,063 | 934.4 |
| Shares issued related to public bought deal and private placements* | 8,680,700 | 283.7 |
| Shares issued related to public bought deal and private placements** | 26,160,000 | 912.1 |
| Shares issued under the DRIP (note 22) | 1,366,957 | 46.4 |
| Reduction of capital (note 22) *** | - | (200.0) |
| **Balance as at December 31, 2014** | 88,588,720 | 1,976.6 |

* In connection with the acquisition of Focus, WSP entered into an agreement with a syndicate of underwriters (the "Underwriters") which purchased, on a bought deal basis by way of a short form prospectus, 5,333,000 common shares of WSP from treasury at a price of $33.75 per common share. In addition, the Underwriters were granted an Over-Allotment option, which was exercised in its entirety. In total, 6,132,950 common shares were issued for gross proceeds of $207.0.

Also in connection with the acquisition of Focus, the Canada Pension Plan Investment Board ("CPPIB") and the Caisse de dépôt et placement du Québec (the "Caisse") purchased, on a private placement basis, an aggregate of 2,370,000 common shares at a price of $33.75 per common share. The CPPIB and the Caisse were each granted with an option to purchase additional common shares of WSP representing up to 15% of the number of common shares subscribed by them on closing subject to the Over-Allotment Option being exercised by the Underwriters. The Caisse exercised its Over-Allotment option in its entirety for 177,750 common shares. In total, 2,547,750 common shares were issued to the CPPIB and the Caisse for gross proceeds of $86.0.

Total issuance-related costs of these transactions of $11.6 less deferred income tax assets of $2.3 are accounted for against the gross proceeds.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

** In connection with the acquisition of Parsons Brinckerhoff, on October 3, 2014 the Corporation entered into an agreement with a syndicate of underwriters (the "Underwriters") to sell 14,000,000 subscription receipts from treasury. Each subscription receipt represented the holder's right to receive, without payment of additional consideration, one common share of the issuer. The Corporation completed its offering on September 22, 2014 at a price of $35.85 per subscription receipt for gross proceeds of $502.0. In addition, the Underwriters were granted an Over-Allotment option of 2,100,000 subscription receipts. On October 15, 2014, the Underwriters exercised, in part, their Over-Allotment option for additional gross proceeds of $35.9. Following the conclusion of the acquisition on October 31, 2014, each subscription receipt was automatically exchanged for one common share of the Corporation.

On October 3, 2014, the Corporation also entered into subscription agreements whereby the Canada Pension Plan Investment Board ("CPPIB") and the Caisse de dépôt et placement du Québec (the "Caisse") purchased, on a private placement basis, 11,160,000 subscription receipts. On October 31, 2014, the Corporation issued 11,160,000 common shares in exchange for the concurrent placement subscription receipts for gross proceeds of $400.0.

Total issuance-related costs of these transactions of $32.0 less deferred income tax assets of $6.2 are accounted for against the gross proceeds.

The holders of the subscription receipts and the placement subscription receipts were also entitled to receive an equivalent of the dividend declared on August 6, 2014. On November 7, 2014, they received a dividend equivalent payment of $9.8, of which $4.2 was reinvested in 124,637 common shares of the Corporation under the dividend reinvestment plan ("DRIP").

*** In connection with the Corporation's reorganization (note 1), the stated capital of WSP, in respect of common shares, was reduced by $200.0 and contributed surplus was increased by the same amount.

As at December 31, 2014, and 2013, no preferred shares were issued.

## 18 Capital management

The Corporation's primary objectives when managing capital structure are as follows:

- maintain financial flexibility in order to meet financial obligations, to provide dividends, to execute growth plan and to continue growth through business acquisitions;
- manage the Corporation's activities in a responsible way in order to provide an adequate return for its shareholders; and
- comply with financial covenants required under the credit facilities.

For capital management, the Corporation has defined its capital as the combination of long-term debts, loan payable, non-controlling interest and shareholders' equity, net of cash, cash equivalents and bank overdraft. The non-recourse debts are excluded.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Long-term debts | 799.1 | 189.2 |
| Loan payable | 4.3 | 4.6 |
| Shareholders' equity | 2,151.8 | 974.3 |
| Non-controlling interest | (2.8) | (0.7) |
| | 2,952.4 | 1,167.4 |
| Less: Cash and cash equivalents less bank overdraft | (176.3) | (100.1) |
| | 2,776.1 | 1,067.3 |

The Corporation's financing strategy is to maintain a flexible structure consistent with the objectives stated above, to respond adequately to changes in economic conditions and to allow growth through business acquisitions. The Corporation monitors its capital structure using the consolidated funded debt to consolidated EBITDA ratio. This ratio is used to determine what would be the maximum debt level.

In order to maintain and adjust its capital structure, the Corporation may issue new shares in the market, contract bank advances and negotiate new credit facilities. In 2014, the Corporation issued 34,840,700 shares through two equity private placements and two public bought-deals. The net proceeds were used to finance the consideration and the related expenses for the Focus and Parsons Brinckerhoff acquisitions.

## 19 Non-underlying items

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Business acquisition related costs | 45.2 | - |
| Newly acquired businesses integration costs | 12.5 | - |
| Existing operations restructuring and reorganization costs | 12.1 | 9.5 |
| | 69.8 | 9.5 |

## 20 Net finance expenses

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Interest on bank advances | 11.6 | 7.0 |
| Net finance expenses on pension obligations | 4.8 | 4.0 |
| Exchange loss on liabilities in foreign currencies | 0.3 | 1.6 |
| Other interest and bank charges | 2.1 | 2.5 |
| Loss/(gain) on sale of assets available for sale | (5.0) | 0.1 |
| Interest income | (1.3) | (2.7) |
| | 12.5 | 12.5 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 21 Income taxes

The components of income tax expenses (recovery) for 2014 and 2013 were as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Current tax** | | |
| Current tax on earnings for the year | 26.7 | 24.9 |
| Adjustments in respect of prior years | (6.8) | 3.0 |
| Total current tax | 19.9 | 27.9 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | 1.0 | (2.7) |
| Impact of change in tax rates | (0.6) | 0.8 |
| Adjustments in respect of prior years | 5.0 | (3.7) |
| Total deferred tax | 5.4 | (5.6) |
| **Total income tax expenses** | 25.3 | 22.3 |

The reconciliation of the difference between the income tax expenses using the domestic statutory tax rate and the effective tax rate is as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | $ | % | $ | % |
| Earnings before income tax expenses | 87.5 | 100.0 | 92.5 | 100.0 |
| Combined Canadian federal and provincial statutory tax rate | 26.90% | | 26.67% | |
| Income taxes based on statutory income tax rates | 23.5 | 26.9 | 24.7 | 26.7 |
| Non-deductible expenses | 0.6 | 0.7 | 0.8 | 0.9 |
| Foreign tax rate differences | (4.2) | (4.8) | (3.6) | (3.9) |
| Effect of change in tax rates | (0.6) | (0.7) | 0.8 | 0.9 |
| Adjustment in respect of prior years | (1.8) | (2.0) | (0.7) | (0.8) |
| Unrecognized deferred tax asset on carried forward losses | 8.6 | 9.8 | - | |
| Withholding tax | (0.8) | (1.0) | - | - |
| Other | - | - | 0.3 | 0.3 |
| | 25.3 | 28.9 | 22.3 | 24.1 |

On July 2, 2013, the United Kingdom ("UK") Finance Bill which included the reduction in the UK corporate tax rate from 23% to 21%, effective April 1, 2014 and from 21% to 20%, effective April 1, 2015 was substantively enacted. As a result, for the year ended December 31, 2013, the Corporation incurred a charge to other comprehensive income of approximately $1.9 (included in actuarial gain (loss) on pension schemes in the

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

consolidated statements of comprehensive income) and an increase of $0.8 to income tax expense due to the re-evaluation of its non-current deferred income tax assets and non-current deferred income tax liabilities.

As at December 31, 2014, and 2013, the significant components of deferred income tax assets and liabilities were as follows:

| | | | | | | | **2014** |
|---|---|---|---|---|---|---|---|
| | **As at January 1 $** | **Credited (charged) to statement of earnings $** | **Credited (charged) to other compre-hensive income $** | **Charged directly to equity $** | **Business acquisi-tions $** | **Exchange differences $** | **As at Dec. 31 $** |
| Deductible provisions upon settlement | 2.7 | 0.6 | - | - | 40.6 | 1.5 | 45.4 |
| Non-capital losses | 18.6 | (4.7) | - | - | 0.1 | 1.0 | 15.0 |
| Pension Plan | 16.1 | (1.4) | 4.6 | - | 28.5 | 2.8 | 50.6 |
| Deferred issuance-related costs | 3.2 | (2.1) | - | 8.6 | 0.7 | (0.4) | 10.0 |
| Property, plant and equipment/ intangible assets | (14.6) | 5.4 | - | - | (69.7) | (7.2) | (86.1) |
| Costs and anticipated profits in excess of billings | (37.3) | (3.7) | - | - | - | 3.2 | (37.8) |
| Holdbacks | (1.0) | - | - | - | - | - | (1.0) |
| Other temporary differences | 7.1 | 0.5 | 2.7 | - | 15.7 | (0.7) | 25.3 |
| **Total** | (5.2) | (5.4) | 7.3 | 8.6 | 15.9 | 0.2 | 21.4 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

**2013**

| | As at January 1 $ | Credited (charged) to statement of earnings $ | Credited (charged) to other comprehensive income $ | Charged directly to equity $ | Business acquisitions $ | Exchange differences $ | As at Dec. 31 $ |
|---|---|---|---|---|---|---|---|
| Deductible provisions upon settlement | 3.0 | (0.4) | - | - | - | 0.1 | 2.7 |
| Non-capital losses | 9.4 | 8.1 | - | - | - | 1.1 | 18.6 |
| Pension Plan | 18.5 | (0.7) | (3.0) | - | - | 1.3 | 16.1 |
| Deferred issuance-related costs | 3.7 | (0.5) | - | - | - | - | 3.2 |
| Property, plant and equipment/ intangible assets | (14.6) | 2.2 | - | - | - | (2.2) | (14.6) |
| Costs and anticipated profits in excess of billings | (34.9) | - | - | - | - | (2.4) | (37.3) |
| Holdbacks | (0.6) | (0.4) | - | - | - | - | (1.0) |
| Other temporary differences | 9.3 | (2.7) | 1.2 | - | - | (0.7) | 7.1 |
| **Total** | (6.2) | 5.6 | (1.8) | - | - | (2.8) | (5.2) |

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| **Deferred income tax assets** | | |
| To be recovered after more than 12 months | 73.9 | 39.5 |
| To be recovered within 12 months | 96.5 | 13.0 |
| | 170.4 | 52.5 |
| **Deferred income tax liabilities** | | |
| To be paid after more than 12 months | (98.7) | (17.0) |
| To be paid within 12 months | (50.3) | (40.7) |
| | (149.0) | (57.7) |
| **Deferred income tax liabilities (net)** | 21.4 | (5.2) |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

Certain subsidiaries of the Corporation incurred net operating losses of $109.8 ($103.2 in 2013) for which deferred tax assets of $15.0 (18.6 in 2013) were recognized. The Corporation expects to utilize the operating losses giving rise to the deferred tax assets prior to their expiry dates.

A deferred liability relating to taxable temporary differences amounting to $27.9 as at December 31, 2014, and to $29.0 as at December 31, 2013, has not been recognized for taxes relating to investments in foreign subsidiaries as the Corporation does not expect these temporary differences to reverse in the foreseeable future. Upon distribution of these earnings in the form of dividends or otherwise, the Corporation may be subject to corporation or withholding taxes.

## 22 Dividends

The Corporation aims to declare and pay cash dividends on a quarterly basis to shareholders. The total amount of dividends declared by the Corporation for the fourth quarter ended December 31, 2014 was $33.2 or $0.375 per share.

The total amount of dividends declared by the Corporation for the year ended December 31, 2014, was $112.4 which included a dividend equivalent payment made on November 7, 2014 ($77.8 in 2013).

*Dividend reinvestment plan (DRIP)*

Under the DRIP, the holders of common shares may elect to have cash dividends reinvested into additional common shares. The shares to be delivered can be purchased on the open market or issued from treasury at the discretion of Management. The shares issued from treasury can be issued at a discount of up to 5.0% of the applicable average market price.

Following the payment of the dividends declared on November 6, 2013, on March 12, 2014, on May 12, 2014 and on August 5, 2014, as well as a dividend equivalent payment made on November 7, 2014, $46.4 was reinvested in 1,366,957 common shares under the dividend reinvestment plan (“DRIP”) (note 17).

On January 15, 2015, on the payment of the fourth quarter dividend, $17.1 was reinvested in 542,709 additional shares under the DRIP.

In conjunction with the Corporation’s reorganization (note 1), the stated capital of WSP, in respect of common shares, was reduced by $200.0 and contributed surplus was increased by the same amount.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 23 Statements of cash flows

a) Adjustments

| | 2014 $ | 2013 $ |
|---|---|---|
| Depreciation and amortization | 77.5 | 58.7 |
| Share of income per statements of earnings of associates and joint ventures | (5.7) | (4.3) |
| Defined benefit pension scheme expense | 0.5 | 0.6 |
| Cash contribution to defined benefit pension schemes | (9.9) | (7.9) |
| Foreign exchange and non-cash movements | 0.1 | (1.7) |
| Others | (2.9) | 1.0 |
| | 59.6 | 46.4 |

b) Change in non-cash working capital items

| | 2014 $ | 2013 $ |
|---|---|---|
| Decrease (increase) in: | | |
| Trade, prepaid and other receivables | (91.3) | 7.6 |
| Costs and anticipated profits in excess of billings | 25.9 | 17.5 |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 100.8 | (17.4) |
| Billings in excess of costs and anticipated profits | 55.1 | (12.0) |
| | 90.5 | (4.3) |

c) Transactions not affecting cash and cash equivalents

| | 2014 $ | 2013 $ |
|---|---|---|
| Additions to intangible assets and prepaid through the assumption of a finance lease and financial liabilities | 2.8 | 17.9 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 24 Related party transactions

**Controlled entities** The Corporation controls and consolidates an entity when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

| | Country of incorporation | Interest 2014 | Interest 2013 |
|---|---|---|---|
| WSP Canada Inc. | Canada | 100% | - |
| WSP Sverige AB | Sweden | 100% | 100% |
| WSP UK Limited. | England | 100% | 100% |
| WSP Europe AB | Sweden | 100% | 100% |
| WSP Group Consulting | Canada | 100% | - |
| WSP Middle East Ltd | Jersey | 100% | 100% |
| WSP Asia Limited | Hong Kong | 100% | 100% |
| WSP Environmental Limited | England | 100% | 100% |
| WSP Finland (OY) | Finland | 100% | 100% |
| WSP Hong Kong Limited | Hong Kong | 100% | 100% |
| Shangai WSP Consulting Ltd | China | 100% | 100% |
| Architecture49 Inc. | Canada | 100% | 100% |
| WSP Columbia S.A.S. | Columbia | 100% | 100% |
| WSP USA Corp | USA | 100% | 100% |
| WSP Group Holdings Limited | England | 100% | 100% |
| WSP Asia Pacific Pty Ltd | Australia | 100% | 100% |
| WSP Australia Holdings Pty Ltd | Australia | 100% | 100% |
| Parsons Brinckerhoff Holdings Inc | USA | 100% | - |
| Parsons Brinckerhoff (Asia) Ltd | Hong Kong | 100% | - |
| Parsons Brinckerhoff International PteLtd | Singapore | 100% | - |
| Parsons Brinckerhoff Ltd | England | 100% | - |
| Parsons Brinckerhoff Holdings Limited (UK) | England | 100% | - |
| Ingenieurgsellschaft fur Verkehrsplanung and Verkehrssicherung GmbH (“IVV”) | Germany | 100% | - |
| PB Australia Pty Limited | Australia | 100% | - |
| Parsons Brinckerhoff Halsall Inc. | Canada | 100% | - |
| Parsons Brinckerhoff Middle East Ltd | Cyprus | 100% | - |
| Parsons Brinckerhoff Holdings Mauritius Limited | Mauritius | 100% | - |
| Parsons Brinckerhoff Muhendislik A.S. | Turkey | 100% | - |

### a) Key management compensation

Key management includes the members of the Board, the President and Chief Executive Officer, the Chief Financial Officer and the members of the executive team. The compensation paid or payable to key management is shown below:

| | 2014 $ | 2013 $ |
|---|---|---|
| Short-term employee benefits | 20.9 | 6.1 |
| Post-employment benefits | - | 0.3 |
| | 20.9 | 6.4 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 25 Financial instruments

### Fair value

Cash and cash equivalents, trade, prepaid and other receivables, costs and anticipated profits in excess of billings, accounts payable and accrued liabilities, dividends, bank overdrafts, loan payable, notes payable, long-term debts, obligations under finance leases and bank advances are financial instruments whose fair values approximate their carrying values due to their short-term maturity, variable interest rates or current market rates for instruments with fixed rates.

The fair value hierarchy under which the Corporation's financial instruments are valued is as follows:

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly;
- Level 3 includes inputs for the assets or liability that are not based on observable market data.

As at December 31, 2014, and 2013, the fair value of the investments available for sale is valued under Level 1. These are the only assets measured at fair value.

### Financial risk management

The Corporation is exposed to credit risk, foreign currency risk, interest rate risk and liquidity risk. The following analyses provide a measurement of those risks as at December 31, 2014, and 2013.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Financial instruments which potentially subject the Corporation to significant credit risk consist principally of cash and cash equivalents, trade and other receivables, and costs and anticipated profits in excess of billings. The Corporation's maximum amount of credit risk exposure is limited to the carrying amount of these financial instruments, which is $1,946.5 as at December 31, 2014, and $765.2 as at December 31, 2013.

The Corporation's cash and cash equivalents are held with or issued by leading financial institutions. Therefore, the Corporation considers the risk of non-performance on these instruments to be minimal.

The Corporation's credit risk is principally attributable to its trade receivables and costs and anticipated profits in excess of billings. The amounts disclosed in the consolidated statements of financial position are net of an allowance for doubtful accounts, estimated by the Corporation's Management and based, in part, on the age of the specific receivable balance and the current and expected collection trends. Generally, the Corporation does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Corporation performs ongoing credit

reviews of all its customers and establishes an allowance for doubtful accounts when the likelihood of collecting the account has significantly diminished. The Corporation believes that the credit risk of trade accounts receivable is limited. During the year ended December 31, 2014, and 2013, bad debts accounted for were not significant.

The Corporation mitigates its credit risk by providing services to diverse clients in various market segments and sectors of the economy.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation operates internationally and is exposed to currency risks arising from its operating activities denominated in Sterling, Swedish krona, US dollars and Euros and to its net asset in foreign operations. These risks are partially offset by purchases and operating expenses incurred in these currencies.

The Corporation has investments in foreign operations, whose net assets are exposed to foreign currency risk. This risk is partly offset through borrowings denominated in the relevant foreign currency. The exchange gains or losses on the net equity investment of these operations are reflected in the accumulated other comprehensive income (loss) account in shareholders' equity, as part of the currency translation adjustment.

Taking into account the amounts denominated in foreign currencies and presuming that all of the other variables remain unchanged, a fluctuation in exchange rates would have an impact on the Corporation's net earnings. Management believes that a 10% change (10% in 2013) in exchange rates could be reasonably possible.

The table below summarizes the impacts of a 10% weakening or strengthening in the exchange rates on the net earnings:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Sterling | 2.0 | 0.7 |
| US dollar | 1.5 | 3.4 |
| Swedish Krona | 3.0 | - |

### Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's exposure to the risk of changes in market interest rates relates primarily to its bank advances, notes payable and certain long-term debts with floating interest rates. This risk is partially offset by cash held at variable rates.

A fluctuation in interest rates would not have a material impact on the Corporation's net earnings.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

### Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its obligations as they fall due.

A centralized treasury function ensures that the Corporation maintains funding flexibility by assessing future cash flow expectations and by maintaining sufficient headroom on its committed borrowing facilities. Borrowing limits, cash restrictions and compliance with debt covenants are also taken into account.

The Corporation watches for liquidity risks arising from financial instruments on an ongoing basis. Management monitors the liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. WSP has access to committed lines of credit with banks (note 14).

The tables below present the contractual maturities of financial liabilities as at December 31, 2014, and 2013. The amounts disclosed are contractual undiscounted cash flows.

**2014**

| | Carrying amount $ | Contractual cash flows $ | Less than a year $ | Between 1 and 2 years $ | More than 2 years $ |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities, including non-current portion of provisions | 1,105.4 | 1,105.4 | 1,064.4 | 41.0 | - |
| Dividends payable to shareholders | 33.2 | 33.2 | 33.2 | - | - |
| Long-term debts, including current portion | 799.1 | 866.4 | 30.3 | 137.0 | 699.1 |
| Financial liabilities, including current portion | 46.3 | 47.4 | 45.4 | 2.0 | |
| | 1,984.0 | 2,052.4 | 1,173.3 | 180.0 | 699.1 |

**2013**

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

| | Carrying amount $ | Contractual cash flows $ | Less than a year $ | Between 1 and 2 years $ | More than 2 years $ |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities, including non-current portion of provisions | 374.9 | 374.9 | 367.9 | 7.0 | - |
| Dividends payable to shareholders | 19.6 | 19.6 | 19.6 | - | - |
| Long-term debts, including current portion | 189.2 | 206.8 | 5.5 | 11.3 | 190.0 |
| Financial liabilities, including current portion | 52.9 | 53.3 | 46.5 | 6.2 | 0.6 |
| | 636.6 | 654.6 | 439.5 | 24.5 | 190.6 |

As at December 31, 2014, the Corporation had unused credit facilities of $427.3 ($210.1 in 2013), net of outstanding letters of credit of $168.3 ($6.0 in 2013), and cash and cash equivalents less bank overdraft of $176.3 ($100.1 in 2013).

## 26 Commitments and contingencies

### Leases and bonds

The Corporation leases various office premises and equipment under non-cancellable operating lease agreements. The lease terms vary from six months to ten years, and the majority of lease agreements are renewable at the end of the lease period for an additional period varying from 30 months to 10 years at market rate.

The lease expenditure included in the consolidated statements of earnings amounts to $102.3 for the year ended December 31, 2014 ($76.3 for the year ended December 31, 2013).

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| No later than 1 year | 125.0 | 79.0 |
| Later than 1 year and no later than 5 years | 293.5 | 190.9 |
| Later than 5 years | 113.9 | 93.9 |
| | 532.4 | 363.8 |

As at December 31, 2014, bonds given in the normal course of business totaled $17.3 ($12.8 in 2013).

### Contingencies

The Corporation is currently facing legal proceedings for work carried out in the normal course of its business. The Corporation takes out a professional liability insurance policy in order to manage the risks related to such proceedings. Based on advice and information provided by its legal advisors and on its experience in the settlement of similar proceedings, Management believes that the Corporation has accounted for sufficient provisions in that regard and that the final settlement should not exceed the insurance coverage significantly or should not have a material effect on the financial position or operating results of the Corporation.

As a government contractor, the Corporation may be subject to laws and regulations that are more restrictive than those applicable to non-government contractors. Government scrutiny of contractors' compliance with those laws and regulations through audits and investigations is inherent in government contracting, and, from time to time, Management receives inquiries and similar demands related to our ongoing business with government entities. In November 2012, the Unité Permanente Anti-Corruption executed search warrants in the Corporation's offices located in the City of Laval in the province of Quebec in relation to certain contracts awarded in the City of Laval. On February 11, 2013, the Corporation announced that it was in possession of information confirming that inappropriate conduct in the province of Quebec in the financing of political parties and the awarding of municipal contracts had occurred in the past. On or about February 28, 2013, the Competition Bureau executed search warrants at the Corporation's offices located in Gatineau and Quebec City. On May 8, 2013, charges were brought against two former employees of the Corporation in connection with events having allegedly occurred in the City of Laval. As of March 17, 2015, no charges had been brought against the Corporation in respect of any of these facts nor has the Corporation received any claims for fines, penalties or other monetary compensation. The Corporation cannot predict at this time the final outcome or potential losses, if any, with respect to any investigation by government authorities in respect of these facts, including the possibility that their scope may be broadened which could have a material adverse impact on its future results of operations.

## 27 Segment information

### (a) Major customers

As at December 31, 2014, and 2013, no individual customer represented more than 10% of the Corporation's consolidated revenues.

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## (b) Segmented information

The Corporation manages through five reportable operating segments, which are the following: Canada, United States, United Kingdom, Europe and Rest of the World.

The Executive Committee assesses the performance of the operating segments based on revenues, net revenues and adjusted EBITDA. Adjusted EBITDA excludes items identified by Management as non-underlying items, such as restructuring, transaction and integration expenses, and also excludes global corporate costs. Global corporate costs are expenses and salaries related to centralized functions, like global finance, human resources and technology teams, which are not allocated to segments. This measure also excludes the effects of financial expenses, amortization, depreciation and income taxes.

Sales between segments are carried out at arm's length. The revenues reported to the Executive Team are measured in a similar manner as in the consolidated statements of earnings and exclude intercompany sales.

| | | | | | | **2014** |
|---|---|---|---|---|---|---|
| | **Canada** | **United States** | **United Kingdom** | **Europe** | **Rest of the World** | **Total** |
| Revenues | 826.6 | 497.5 | 501.1 | 575.4 | 501.8 | 2,902.4 |
| Less: Subconsultants and direct costs | (137.5) | (149.5) | (100.1) | (69.9) | (95.5) | (552.5) |
| Net revenues | 689.1 | 348.0 | 401.0 | 505.5 | 406.3 | 2,349.9 |
| Adjusted EBITDA | 97.5 | 43.3 | 39.3 | 60.6 | 34.8 | 275.5 |
| Global corporate costs | | | | | | (22.0) |
| Non-underlying items | | | | | | (69.8) |
| Financial expenses | | | | | | (13.8) |
| Depreciation and amortization | | | | | | (77.5) |
| Share of taxation and amortization of associates | | | | | | (4.9) |
| Earnings before income tax | | | | | | 87.5 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

The table below presents the Corporation's operations based on reportable operating segments.

| | | | | | | 2013 |
|---|---|---|---|---|---|---|
| | **Canada** | **United States** | **United Kingdom** | **Europe** | **Rest of the World** | **Total** |
| Revenues | 618.8 | 206.4 | 363.4 | 542.1 | 285.3 | 2,016.0 |
| Less: Subconsultants and direct costs | (101.6) | (30.6) | (86.8) | (75.5) | (44.3) | 338.8 |
| Net revenues | 517.2 | 175.8 | 276.6 | 466.6 | 241.0 | 1,677.2 |
| Adjusted EBITDA | 69.3 | 28.8 | 25.9 | 61.7 | 18.2 | 203.9 |
| Global corporate costs | | | | | | (23.3) |
| Non-underlying items | | | | | | (9.5) |
| Financial expenses | | | | | | (15.1) |
| Depreciation and amortization | | | | | | (58.7) |
| Share of taxation and amortization of associates | | | | | | (4.8) |
| Earnings before income tax | | | | | | 92.5 |

## (c) Geographic information

The following revenues have been allocated to geographic regions based on the country of operation of the Corporation.

| | **December 31, 2014 $** | **December 31, 2013 $** |
|---|---|---|
| Canada | 826.5 | 634.2 |
| Sweden | 471.3 | 439.1 |
| United Kingdom | 501.1 | 367.0 |
| United States | 497.5 | 198.4 |
| United Arab Emirates | 96.5 | 60.3 |
| South Africa | 69.3 | 55.7 |
| Germany | 29.7 | 46.9 |
| Australia | 114.3 | 41.7 |
| Colombia | 46.8 | 37.0 |
| China | 95.4 | 39.0 |
| Finland | 42.4 | 42.2 |
| Others | 111.6 | 54.5 |
| | 2,902.4 | 2,016.0 |

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

The property, plant and equipment, goodwill and intangible assets are allocated in the following countries:

| | December 31, 2014 $ | December 31, 2013 $ |
|---|---|---|
| Canada | 675.2 | 331.9 |
| Sweden | 222.0 | 269.2 |
| United Kingdom | 194.0 | 185.7 |
| United States | 1,135.0 | 111.9 |
| Others | 336.3 | 69.7 |
| | 2,562.5 | 968.4 |