

Consolidated Financial Statements of  
**TUCKAMORE CAPITAL MANAGEMENT INC.**  
Years ended December 31, 2013 and December 31, 2012

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of Tuckamore Capital Management Inc. ("Tuckamore") and all of the information in the annual report are the responsibility of management, including responsibility for establishing and maintaining disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that the information used internally by management and disclosed externally is complete and reliable in all material respects. Management has evaluated the effectiveness of the disclosure controls and procedures and has concluded that they are effective.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain estimates that are based on management's best judgments. Actual results may differ from these estimates and judgments. Management has ensured that the Consolidated Financial Statements are presented fairly in all material respects.

Management has developed and maintains a system of internal control to provide reasonable assurance that Tuckamore's assets are safeguarded, transactions are accurately recorded, and the Consolidated Financial Statements report Tuckamore's operating and financial results in a timely manner. Financial information presented elsewhere in the annual report has been prepared on a consistent basis with that in the Consolidated Financial Statements.

The Board of Directors of Tuckamore annually appoints an Audit Committee (the "Committee") comprised of Independent Directors. This Committee meets regularly with management and the auditors to review significant accounting, reporting and internal control matters. The auditors have unrestricted access to the Committee. The Committee reviews the Consolidated Financial Statements, Management's Discussion & Analysis, the external auditors' report and the annual report. The Committee reports its findings to the Board of Directors for their consideration in approving the Consolidated Financial Statements for issuance to the Shareholders. The Committee also considers, for review by the Board of Directors and approval by the Shareholders, the engagement or re-appointment of the external auditors.

Ernst & Young LLP, an independent firm of chartered accountants, was appointed by the Shareholders to audit the Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. Ernst & Young LLP has provided an independent auditors' report.



Dean T. MacDonald  
President & Chief Executive Officer

Toronto, Canada  
March 6, 2014



Keith Halbert  
Chief Financial Officer

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Tuckamore Capital Management Inc.

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Tuckamore Capital Management Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2013, 2012 and January 1, 2012, and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

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

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 auditors' judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tuckamore Capital Management Inc. as at December 31, 2013, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012 in accordance with International Financial Reporting Standards.

*EY*  
Ernst + Young LLP

Chartered Accountants  
Licensed Public Accountants

Toronto, Canada  
March 6, 2014

# TUCKAMORE CAPITAL MANAGEMENT INC.

## Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at	December 31, 2013	December 31, 2012 Restated (Note 2)	January 1, 2012 Restated (Note 2)
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents (note 4)	\$ 28,883	\$ 10,543	\$ 26,134
Cash and short-term investments held in trust (note 4)	2,950	2,935	6,842
Accounts receivable (note 5)	145,858	160,786	132,258
Inventories (note 7)	12,721	15,926	27,044
Prepaid expenses	6,753	4,485	2,896
Other current assets (note 8)	2,733	2,943	3,041
Current assets of discontinued operations (note 3)	-	-	3,517
<b>Total current assets</b>	<b>199,898</b>	<b>197,618</b>	<b>201,732</b>
Property, plant and equipment (note 9)	62,688	63,817	60,606
Long-term investments (notes 1, 2 and 24)	28,281	27,115	33,160
Goodwill (notes 10 and 11)	61,128	63,839	68,040
Intangible assets (notes 10 and 11)	49,896	61,464	77,617
Other assets (notes 8 and 20)	633	685	1,711
<b>Total assets</b>	<b>\$ 402,524</b>	<b>\$ 414,538</b>	<b>\$ 442,866</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities (note 6)	\$ 65,807	\$ 72,699	\$ 82,939
Deferred revenue (note 21)	3,048	2,705	3,016
Current portion of obligations under finance leases (note 14)	6,041	4,751	5,163
Current portion of senior credit facility (note 13)	5,481	-	10,000
Unsecured debentures (note 13)	24,819	-	-
Current liabilities of discontinued operations (note 3)	-	-	651
<b>Total current liabilities</b>	<b>105,196</b>	<b>80,155</b>	<b>101,769</b>
Obligations under finance leases (note 14)	11,584	11,678	3,278
Senior credit facility (note 13)	84,354	89,300	85,705
Secured debentures (note 13)	159,700	152,860	146,314
Unsecured debentures (note 13)	-	18,781	14,215
Deferred tax liabilities (note 17)	5,650	8,513	13,947
Shareholders' equity	36,040	53,251	77,638
<b>Total liabilities and shareholders' equity</b>	<b>\$ 402,524</b>	<b>\$ 414,538</b>	<b>\$ 442,866</b>

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

Signed on behalf of the Board of Directors,



Fraser Clarke, Director



Dr. Cal Bricker, Director

**TUCKAMORE CAPITAL MANAGEMENT INC.**  
Consolidated Statements of Loss and Comprehensive Loss  
Years Ended December 31  
(In thousands of Canadian dollars, except per share amounts)

	2013	2012
		Restated (Note 2)
Revenue (note 16)	\$ 673,111	\$ 683,756
Cost of revenue	(531,894)	(560,323)
Gross profit	141,217	123,433
Selling, general and administrative expenses	(103,634)	(91,853)
Amortization of intangible assets (note 10)	(8,973)	(10,824)
Depreciation (note 9)	(15,210)	(14,438)
Income from equity investments (notes 1, 2 and 24)	5,780	5,891
Interest expense (notes 4 and 13)	(33,676)	(32,606)
Loss on de-recognition of debt (note 13)	-	(1,534)
Restructuring costs	-	(861)
Write-down of goodwill and intangible assets (notes 10 and 11)	(5,713)	(9,268)
Loss before income taxes	(20,209)	(32,060)
Income tax expense - current (note 17)	(3)	(671)
Income tax recovery - deferred (note 17)	2,831	5,206
Loss from continuing operations	(17,381)	(27,525)
Income from discontinued operations (net of income tax) (note 3)	-	1,962
Loss and comprehensive loss	\$ (17,381)	\$ (25,563)
Loss per share (note 18)		
Basic & Diluted:		
Continuing operations	\$ (0.24)	\$ (0.38)
Net loss	\$ (0.24)	\$ (0.36)

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

**TUCKAMORE CAPITAL MANAGEMENT INC.**  
Consolidated Statements of Shareholders' Equity  
(In thousands of Canadian dollars, except number of shares)

(Restated - See Note 2)	Number of shares	Share Capital	Deficit	Contributed Surplus	Total Shareholders' Equity
Balance - January 1, 2013	71,631,431	\$414,884	\$ (369,726)	\$ 8,093	\$ 53,251
Net loss and comprehensive loss for the year	-	-	(17,381)	-	(17,381)
Stock-based compensation (note 19)	-	-	-	170	170
Balance - December 31, 2013	71,631,431	\$414,884	\$ (387,107)	\$ 8,263	\$ 36,040

	Number of shares	Share Capital	Deficit	Contributed Surplus	Total Shareholders' Equity
Balance - January 1, 2012	71,631,431	\$414,884	\$ (344,163)	\$ 6,917	\$ 77,638
Net loss and comprehensive loss for the year	-	-	(25,563)	-	(25,563)
Stock-based compensation (note 19)	-	-	-	1,176	1,176
Balance - December 31, 2012	71,631,431	\$414,884	\$ (369,726)	\$ 8,093	\$ 53,251

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

**TUCKAMORE CAPITAL MANAGEMENT INC.****Consolidated Statements of Cash Flows**

Years Ended December 31

(In thousands of Canadian dollars)

	2013	2012
		Restated (Note 2)
Operating activities:		
Net loss for the year	\$ (17,381)	\$ (25,563)
Income from discontinued operations (net of income tax) (note 3)	-	(1,962)
Items not affecting cash:		
Amortization of intangible assets (note 10)	8,973	10,824
Depreciation (note 9)	15,210	14,438
Deferred income tax recovery (note 17)	(2,831)	(5,206)
Income from long-term investments	(5,780)	(5,891)
Non-cash accretion expense (notes 13 and 4)	12,878	11,112
Amortization of deferred financing costs (notes 13 and 4)	653	625
Loss on de-recognition of debt (note 13)	-	1,534
Stock-based compensation expense (note 19)	170	1,176
Write-down of goodwill and intangible assets (notes 10 and 11)	5,713	9,268
Changes in non-cash working capital (note 23)	9,562	(29,486)
Cash provided by discontinued operations	-	106
<b>Total cash provided by (used in) operating activities</b>	<b>27,167</b>	<b>(19,025)</b>
Investing activities:		
Distributions from long-term investments	4,614	6,306
Purchase of property, plant and equipment (note 9)	(8,107)	(4,250)
Proceeds on disposition of property, plant and equipment, net	1,423	737
Proceeds on disposition of businesses (note 3)	-	7,866
Purchase of software (note 10)	(406)	(91)
Decrease in other assets (note 8)	52	1,026
Cash used in discontinued operations	-	(7)
<b>Total cash (used in) provided by investing activities</b>	<b>(2,424)</b>	<b>11,587</b>
Financing activities:		
Repayment of long-term debt (note 13)	(118)	(6,200)
(Increase) decrease in cash held in trust (note 4)	(15)	3,907
Repayment of obligations under finance leases	(6,270)	(5,761)
Cash used in discontinued operations	-	(384)
<b>Total cash used in financing activities</b>	<b>(6,403)</b>	<b>(8,438)</b>
Increase (decrease) in cash	18,340	(15,876)
Cash beginning of year		
- continuing operations	10,543	26,134
Cash beginning of year		
- discontinued operations	-	285
<b>Cash end of year</b>	<b>\$ 28,883</b>	<b>\$ 10,543</b>
Cash end of year		
- continuing operations	\$ 28,883	\$ 10,543
Supplemental cash flow information:		
Interest paid	\$ 19,221	\$ 22,607
Supplemental disclosure of non-cash financing and investing activities:		
Acquisition of property, plant and equipment through finance leases	\$ 7,412	\$ 13,823

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

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

Years Ended December 31, 2013 and 2012

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Tuckamore Capital Management Inc. ("Tuckamore" or the "Company") is a corporation formed pursuant to the *Business Corporations Act* (Ontario). The registered office is located in Toronto, Ontario. Tuckamore was created to indirectly invest in securities of private businesses, either in limited partnerships or in corporations (collectively the "Operating Partnerships").

The annual consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors of Tuckamore on March 6, 2014.

### 1. Significant accounting policies

#### a) Basis of Presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of financial statements, including International Accounting Standards ("IAS") 1, Presentation of Financial Statements. Standards and guidelines issued but not in effect up to the date of issuance are discussed in note 1(t).

The consolidated financial statements are prepared on a going concern basis.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional consolidated balance sheet at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement or a reclassification of items in the financial statements. An additional statement of financial position as at January 1, 2012 is presented in these financial statements due to the retrospective application of certain accounting policies; refer to note 1(c) and note 2.

#### b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2013. The Company consolidates the results of its investments over which it exercises control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

Years Ended December 31, 2013 and 2012

- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Operating Partners even if this attribution results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intercompany assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The following table indicates the accounting method for each of Tuckamore's consolidated Operating Partnerships:

Operating Partnership	Initial Investment Date	December 31, 2013 Percentage Ownership	December 31, 2012 Percentage Ownership	January 1, 2012 Percentage Ownership	Accounting Method	Business Description	Principal Place of Business
ClearStream Energy Services LP ("ClearStream") <sup>1</sup>	October 2004	100	100	100	Consolidation	Provider of oil and gas maintenance, construction and wear technology services to both the conventional oil and gas industry and the oilsands	Alberta
Gemma Communications LP ("Gemma")	March 2005	100	100	100	Consolidation	Integrated direct marketing company	Ontario
Quantum Murray LP ("Quantum Murray")	March 2006	100	100	100	Consolidation	National provider of demolition, remediation and scrap metal services	Ontario

<sup>1</sup> Included in ClearStream Energy Services LP is Nor-Tech, an 80% joint venture which primarily operates its business in Alberta. Nor-Tech is an electrical and instrumentation contracting company. Nor-Tech is accounted for as a joint venture under IFRS. Please see note 1.c), note 2 and note 24 for more details.

### c) Investment in associates and joint ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Those parties are called joint operators. The Company recognizes its share of the assets, liabilities and benefits generated from the asset in proportion to its rights.

## **TUCKAMORE CAPITAL MANAGEMENT INC.**

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

Years Ended December 31, 2013 and 2012

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A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associate and joint ventures are accounted for using the equity method.

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

The statement of profit or loss reflects the Company's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statements of income (loss) and comprehensive income (loss) and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss in the consolidated statements of income (loss) and comprehensive income (loss).

Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment or proceeds from disposal is recognized in the consolidated statement of income (loss) and comprehensive income (loss).

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

Years Ended December 31, 2013 and 2012

The following table indicates the accounting method for each of Tuckamore's investments in Operating Partnerships categorized as associates or joint ventures as at December 31, 2013. Tuckamore invested in all Operating Partnerships indirectly together with their respective general partners.

Operating Partnership	Initial Investment Date	December 31, 2013 Percentage Ownership	December 31, 2012 Percentage Ownership	January 1, 2012 Percentage Ownership	Accounting Method	Business Description	Principal Place of Business
IC Group LP ("IC Group")	July 2006	80	80	80	Equity method	Provider of on-line promotional and loyalty programs and select insurance products	Manitoba
Titan Supply LP ("Titan")	September 2006	92	92	92	Equity method	Manufacturer and distributor of rigging products and services, and ground engaging tools to the oil and gas, and construction sectors	Alberta
Gusgo Transport LP ("Gusgo")	October 2006	80	80	80	Equity method	Transportation and storage services provider	Ontario
Rlogistics LP ("Rlogistics")	May 2006	36	36	36	Equity method	Reseller of close-out, discount and refurbished consumer electronics and household goods in Ontario	Ontario

The following table indicates the accounting method for each of Tuckamore's investments in Operating Partnerships sold prior to December 31, 2013, as further described in note 3.

Operating Partnership	Initial Investment Date	December 31, 2013 Percentage Ownership	December 31, 2012 Percentage Ownership	January 1, 2012 Percentage Ownership	Accounting Method	Business Description	Principal Place of Business
Armstrong Partnership LP ("Armstrong")	Oct-06	nil	nil	80	Equity method	Provider of in-store promotional marketing services	Ontario

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

Years Ended December 31, 2013 and 2012

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### Financial instruments

(i) Financial assets and financial liabilities

All financial instruments are classified into one of the following five categories; held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are included on the consolidated balance sheets and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Held for trading financial investments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Financial assets are measured at fair value with changes in fair values recognized in other comprehensive income, except for available-for-sale investments that do not have a quoted market price in an active market and cannot be reliably measured are recorded at cost.

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<b>Category</b>	<b>Financial statement caption</b>
Held for trading	Cash and cash equivalents
Held-to-maturity investments	None owned
Loans and receivables	Accounts receivable
Available-for-sale financial assets	None owned
Other financial liabilities	Accounts payable, provisions, senior credit facility, secured and unsecured debentures and finance lease obligations (measured at amortized cost)

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Transaction and financing costs, including fees paid to advisors, underwriting and arrangement fees paid to lenders and other related costs are deferred and netted against the carrying value of the related debt and amortized to interest expense using the effective interest method. The legal release of a debt obligation from an old lender to a new lender is considered to be a de-recognition of debt and, as such, financing costs related to the pre-existing lender are immediately written off. Financing costs incurred in the process of arranging the debt with a new lender are capitalized against the debt and amortized over the term of the new debt.

The Company assesses at each balance sheet date whether there is any objective evidence of impairment for each financial asset (or a group of financial assets). A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of an event that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor(s) is experiencing financial difficulty, which may include default or delinquency in interest or principal payments, the probability that it will enter

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

Years Ended December 31, 2013 and 2012

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bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears payments or economic conditions that correlate with defaults.

(ii) Comprehensive income (loss)

Comprehensive income (loss) is the change in shareholders' equity, which results from transactions and events from sources other than Tuckamore's shareholders. Other comprehensive income includes income and expense items that are not recorded in income such as unrealized gains and losses resulting from changes in the fair value of certain financial instruments classified as available-for-sale. During the years ended December 31, 2013 and 2012, there were no transactions recorded in other comprehensive income (loss).

(iii) Effective interest method

Deferred financing charges are included in loan balances and are recognized in interest expense over the term of the related loan. Tuckamore uses the effective interest method to recognize deferred financing charges whereby the amount recognized varies over the term of the loan based on principal outstanding.

d) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes the costs to purchase and other costs incurred in bringing the inventories to their present location. Costs such as storage costs and administrative overheads that do not directly contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned by using specific identification of their individual costs. The weighted average cost formula is used for inventories other than those dealt with by the specific identification of cost formula.

e) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Equipment under finance lease is initially recorded at the present value of minimum lease payments at the inception of the lease.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

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The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year and adjusted prospectively, if appropriate.

Depreciation is calculated following the method that best reflects usage and annual rates based on the estimated useful lives of the assets as follows:

<b>Asset</b>	<b>Basis</b>	<b>Rate</b>
Equipment under finance lease	Straight-line	Lesser of the term of lease or useful life
Furniture and equipment	Declining balance	14% - 50%
Computer hardware	Declining balance	20% - 100%
Automotive and heavy equipment	Declining balance	15% - 40%
Structural elements of automotive and heavy equipment	Declining balance	10% - 20%
Buildings	Declining balance	4% and 5%
Leasehold improvements	Straight-line	Shorter of expected useful life or term of the lease

f) Impairment of long-lived assets

Assets with definite useful lives, including property, plant and equipment and intangible assets, are amortized over their estimated useful lives. Long-lived assets are assessed for impairment at each balance sheet date, or whenever events or changes in circumstances occur, to assess whether there is an indication that such assets may not be recoverable.

If the carrying amount of an asset or cash generating unit ("CGU") exceeds its recoverable amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If it is not possible to estimate the recoverable amount of an individual asset, the CGU to which the asset belongs is tested for impairment. Value in use is determined using the estimated future cash flows generated from use and eventual disposition of an asset or CGU discounted to their present value using a pre-tax discount rate.

Assets to be disposed of are separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale have been presented separately in the appropriate asset and liability sections of the prior period consolidated balance sheet.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, Tuckamore estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumption used to determine the asset's recoverable

## TUCKAMORE CAPITAL MANAGEMENT INC.

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(In thousands of Canadian dollars)

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amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined net of depreciation had the impairment loss not been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

For the purposes of assessing impairment, assets are grouped into Cash Generating Units ("CGUs"). A CGU is the lowest level for which there are separately identifiable cash flows. Tuckamore has a total of 9 CGUs. ClearStream is comprised of 5 CGUs (Conventional, Oil Sands, Fabrication, Wear and Transportation), Quantum Murray is comprised of 3 CGUs (Demolition, Remediation and Metals) and Gemma is a CGU on its own.

g) Impairment of goodwill and indefinite life intangible assets

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. When Tuckamore enters into a business combination, the acquisition method of accounting is used. After initial recognition goodwill is measured at cost less any accumulated impairment losses.

Goodwill and indefinite life intangible assets are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. For the purposes of impairment testing, goodwill is allocated to the CGU or group of CGUs constituting a consolidated Operating Partner whose acquisition gave rise to the goodwill. Impairment of goodwill is tested at the level where goodwill is monitored for internal management purposes. Therefore, goodwill may be assessed for impairment at the level of either an individual CGU or a group of CGUs. The determination of CGUs and the level at which goodwill is monitored requires judgment by management. Goodwill impairment is determined by assessing whether the carrying value of the CGU or relevant group of CGUs exceeds the recoverable amount. Indefinite life intangible impairment is determined by assessing whether the carrying value of the CGU including allocated goodwill and indefinite life intangible assets exceed the recoverable amount.

The recoverable amount is the higher of a CGU or group of CGUs fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses recognized in respect of a CGU or group of CGUs are allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU or group of CGUs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired assets.

h) Intangible assets

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are initially recorded at their fair value. Intangible assets with determinable useful lives, such as customer relationships, management contracts, computer software and sales orders, are amortized over their useful

## TUCKAMORE CAPITAL MANAGEMENT INC.

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lives and are tested for impairment, as described in note 1(f). Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment as described in note 1 (g).

Some intangible assets are contained in a physical form, such as a compact disc in the case of computer software. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset.

Intangible assets with determinable lives are amortized using the following methods and rates based on the estimated useful life of the asset as follows:

<b>Asset</b>	<b>Basis</b>	<b>Rate/Term</b>
Customer relationships/management contracts/sales orders	Straight-line	2 – 10 years
Computer software	Declining balance	40%

i) Revenue recognition

Revenue is recorded on a net or gross basis depending on whether Tuckamore acts as an agent or principal in the respective transaction.

(i) Marketing

Marketing revenue includes revenue generated from marketing campaign projects, teleservice programs and the sale of advertisements. Revenue from marketing campaign projects is recognized using the percentage of completion method where dependable estimates of progress toward completion can be made. The stage of completion is assessed by an analysis of costs incurred to date compared to total costs. Revenue from teleservice programs is recognized as services are performed, generally based on hours incurred.

(ii) Industrial Services

Industrial services revenue includes revenue from contracts entered into to provide maintenance and construction services to the energy industry and from contracts to provide demolition and remediation services. Revenue from such contracts is recorded either using (i) the percentage of completion method or (ii) as services are performed and related costs are incurred. The stage of completion is assessed by an analysis of costs incurred to date compared to total costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Provisions for estimated losses on all uncompleted contracts are made in the period in which such losses are determined. Revenue for demolition services includes consideration in the form of scrap materials that are recorded as non-monetary transactions measured at fair value using active market prices (note 26).

## TUCKAMORE CAPITAL MANAGEMENT INC.

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### (iii) Other

Other revenue includes revenue from a container transportation service provider, and a distributor and manufacturer of heavy industrial equipment.

Revenue is recognized as services are performed and upon delivery of products when significant risks and rewards of ownership have been transferred to the customer and receivables are reasonably assured of collection.

### j) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or liabilities assumed. Revenue and expenses other than depreciation and amortization are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

### k) Income taxes

Income tax expense or recovery comprises current and deferred taxes. Current tax is the expected tax payable or recoverable on the taxable income for the year and is recognized in the period to which it relates. Amounts included in current tax reflect the income tax expense or recovery relating to the taxable income of Tuckamore and taxable corporations which are subsidiaries of the Operating Partnerships.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if Tuckamore has a legally enforceable right to offset current tax assets/liabilities and if the corresponding deferred tax assets and liabilities relate to the income taxes raised by the same taxation authority on either the same taxable entity or different taxable entities that intend to settle their current tax assets and liabilities either on a net basis or simultaneously.

A deferred tax asset is recognized to the extent it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

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l) Leases

The determination of a lease arrangement is based on the substance of the arrangement at the inception date. Leases entered into by Tuckamore as the lessee, which transfer substantially all the benefits and risks of ownership to the lessee, are recorded as finance lease obligations and included in property, plant and equipment. All other leases are classified as operating leases under which leasing costs are recorded as expenses in the period in which they are incurred. In instances where there are periods of lease incentives, the benefit is allocated over the term of the lease.

m) Stock-based compensation

The fair value of stock options granted is recognized on a graded vesting schedule on a straight-line basis over the applicable stock option vesting period as stock based compensation expense in the consolidated statement of income and comprehensive income and contributed surplus on the consolidated statement of changes in shareholders' equity. The initial fair value of the options is determined based on the application of the Black-Scholes option valuation model at the date the options were granted. The options granted by Tuckamore are accounted for as equity awards under IFRS 2, Share-based payments. In accordance with IFRS 2, the services received in relation to the options granted are recorded as stock based compensation expense and contributed surplus.

n) Income (loss) per share

The income (loss) per share of Tuckamore is computed by dividing Tuckamore's income (loss) by the weighted average number of shares outstanding during the reporting period. Diluted income (loss) per share is similar to basic income (loss) per share, except that the denominator is increased to account for the impact of the number of additional shares that would have been outstanding if the potentially dilutive shares had been issued and the numerator is adjusted to reflect the stock based compensation using grant date values.

The shares issuable as options are the only potentially dilutive units.

o) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with remaining maturities, at the date of investment, of three months or less, and cash on deposit with financial institutions, which are unrestricted as to their use.

p) Provisions

A provision is recognized if, as a result of a past event, Tuckamore has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required 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.

## TUCKAMORE CAPITAL MANAGEMENT INC.

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### q) Discontinued Operations

A discontinued operation represents an Operating Partnership that has been sold or classified as held for sale. An Operating Partnership is classified as discontinued if its carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income (loss) and comprehensive income (loss) of the reporting periods, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting income or loss (after taxes) is reported separately in the consolidated statements of income (loss) and comprehensive income (loss). In the consolidated balance sheet, assets and liabilities from discontinued operations are reported separately from the assets and liabilities of continuing operations.

### r) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange for control of the acquiree. Transaction costs directly attributable to the acquisition are expensed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest. Where necessary, management engages qualified third-party professionals to assist in the determination of fair values.

Goodwill is initially measured as the excess of the fair value of consideration paid over the fair value of the net identifiable tangible and intangible assets acquired. If the fair value of consideration paid is less than the fair value of the net identifiable tangible and intangible assets acquired, the difference is recognized directly in the income statement as a gain on bargain purchase.

If Tuckamore holds a non-controlling interest in an investment immediately before obtaining control, the existing ownership is remeasured to fair value as at the date control was obtained, with any gain or loss on remeasurement recognized in income or loss. A change from a non-controlling interest to obtaining control is viewed as a significant change in the nature and economic circumstances of the investment, which results in a change in the classification and measurement of the investment.

### s) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment in future periods to the carrying amount of the asset or liability affected.

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Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

(i) Control / Joint Arrangements

Judgement has been used in determining whether Tuckamore and its investees have joint control over the respective joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. It has been concluded that key activities require the unanimous consent of Tuckamore and their respective investees. In addition to this, judgement has been used in determining whether the relevant parties to the arrangement have rights to the net assets of the joint operation. It has been concluded that the relevant parties do have rights to the net assets of the joint venture and as such, these arrangements are accounted for using the equity method of accounting. Please refer to note 1(c) and note 2 for more information.

(ii) Business Combinations

The amount of goodwill initially recognized as a result of a business combination and the determination of fair value of the identifiable assets acquired and the liabilities assumed includes the use of management's judgment with respect to assumptions in fair value.

(iii) Property, plant and equipment

Measurement of property, plant and equipment involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgment is also required to determine depreciation methods and an asset's residual value.

(iv) Determination of Cash Generating Units ("CGUs")

Assets are grouped into CGUs that have been identified as being the smallest identifiable group of assets that generate cash flows, that are independent of cash flows of other assets or group of assets. The determination of these CGUs was based on management's judgment with regards to determining the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If the recoverable amount could not be determined for an individual asset, management identified the lowest aggregation of assets that generate largely independent cash flows.

(v) Income taxes

Income tax liabilities must be estimated for Tuckamore, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. Tax interpretations, regulations and legislation are subject to change. As such, income taxes involve estimates regarding the amount and timing of future taxable income. Deferred tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

## TUCKAMORE CAPITAL MANAGEMENT INC.

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(vi) Stock based compensation

Assumptions are used in the underlying calculation of fair values of Tuckamore's stock options. Fair value is determined using the Black-Scholes pricing model, which is based on significant assumptions such as volatility, dividend yield, expected forfeitures and expected term.

(vii) Provisions

Judgment is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgment is necessary to determine the likelihood that a pending litigation or other claim will succeed or a liability will arise and to quantify the possible range of the final settlement.

(viii) Impairment

There are various estimates used in the annual impairment tests of goodwill and indefinite life intangible assets. Please refer to note 11 for a summary of these estimates and how they were derived. Estimates include, but are not limited to, cash flow projections, growth rates, terminal values and discount rates. Tuckamore's annual impairment tests of goodwill and indefinite life intangibles is performed in the fourth quarter of the fiscal year.

t) New accounting standards and interpretations adopted by the Company

**(i) IAS 1 Presentation of Financial Statements**

The amendments to IAS 1 require entities to group items presented in other comprehensive income ("OCI") on the basis of whether they will or will not subsequently be reclassified to profit or loss. Amendments to IAS 1 are applicable to annual periods beginning on or after July 1, 2012. These amendments did not result in any impact to the Company's consolidated financial statements.

**(ii) IAS 19 Employee Benefits**

The amendments to IAS 19 include eliminating the option to defer the recognition of gains and losses, streamlining the presentation of changes to assets and liabilities with all changes from re-measurement to be recognized in OCI and enhancing the disclosure of the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. This amendment did not result in a material impact to the Company's consolidated financial statements.

**(iii) IFRS 7 Financial Instruments: Disclosures**

The amendments require the disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect on the entity's financial position, of offsetting financial assets and financial liabilities. This amendment did not result in a material impact to the Company's consolidated financial statements.

## **TUCKAMORE CAPITAL MANAGEMENT INC.**

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### **(iv) IFRS 10 Consolidated Financial Statements and IAS 27 Consolidated and Separate Financial Statements**

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Company.

### **(v) IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures**

IFRS 11 replaces IAS 28 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The application of this new standard impacted the financial position of the Company by replacing proportionate consolidation of joint ventures in Titan, Gusgo, IC Group, Armstrong and joint arrangements at ClearStream (see note 1 and 2) with the equity method of accounting. The effect of IFRS 11 is described in more detail in note 2, which includes a quantification of the effect on the financial statements.

### **(vi) IFRS 12 Disclosure of interest in other entities**

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structure entities. Refer to note 1, note 2 and note 24.

### **(vii) IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted fair value measurements carried out by the Company. Refer to note 4.

### **(viii) IAS 36 Impairment of Assets**

The amendments to IAS 36 require the disclosure of the recoverable amount of a CGU only when an impairment loss has been recognized or reversed. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has early adopted this section.

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Please refer to note 11 for more details on the Company's impairment testing for goodwill and intangible assets.

u) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations were not yet effective as at January 1, 2013 and have not been applied in preparing these annual consolidated financial statements. Tuckamore's intention is to adopt the standards when they become effective.

The following is a brief summary of the new standards:

(i) IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 as issued reflects the IASB's work to date on the replacement of Financial Instruments: Recognition and Measurement (IAS 39), and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. In November 2013, the IASB issued a new version of IFRS 9 (IFRS 9 (2013)) which includes the new hedge accounting requirements and some related amendments to IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures. IFRS 9 (2013) does not have a mandatory effective date. The impact of this ongoing project will be assessed by the Company as remaining phases of the project are completed. The impact of IFRS 9 on Tuckamore's consolidated financial statements is not known at this time.

(ii) Amendments to Other Standards

The amendments to IAS 32, Financial Instruments: Presentation, clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. IAS 32 will not have an impact on Tuckamore's consolidated financial statements.

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### 2. Share of Investments in a joint venture

The application of IFRS 11 impacted the Company's accounting of its interest in joint ventures. Please refer to note 1(c), 1(s)(i) and 1(t)(v) for more details. The effect of applying IFRS 11 on the Company's financial statements is as follows:

<b>Impact on the consolidated statements of loss and comprehensive loss</b>	<b>December 31, 2012</b>
Decrease in the reported revenues	(73,651)
Decrease in the cost of revenue	50,871
Decrease in gross profit	(22,780)
Decrease in selling, general and administrative expenses	15,937
Decrease in depreciation / amortization of intangible assets	741
Decrease in other income	221
Decrease in current tax expense	104
Increase in future tax expense	(114)
Increase in income from long- term investments	5,891
<b>Net impact on net loss and comprehensive loss</b>	<b>-</b>

<b>Impact on the consolidated balance sheet</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Increase in long- term investments	27,117	33,160
Decrease in cash and cash equivalents	(1,539)	(2,491)
Decrease in cash and short- term investments held in trust	(1,564)	(1,266)
Decrease in accounts receivable	(13,631)	(17,115)
Decrease in inventory	(9,862)	(10,420)
Decrease in prepaid expenses	(468)	(590)
Decrease in property, plant and equipment	(2,621)	(3,103)
Decrease in goodwill	(8,627)	(8,627)
Decrease in intangible assets	(1,309)	(1,311)
Decrease in other assets	(1,091)	(1,406)
Decrease in accounts payable and accrued liabilities	7,224	8,235
Decrease in deferred revenue	5,446	5,592
Decrease in finance lease obligations	686	779
Decrease in deferred tax liabilities	239	(1,437)
<b>Net impact on equity</b>	<b>-</b>	<b>-</b>

<b>Impact on the consolidated Statement of Cash Flows</b>	<b>December 31, 2012</b>
Operating	(2,378)
Investing	2,317
Financing	726
Net increase in cash	665
Net decrease in opening cash	(2,204)
<b>Net decrease in closing cash</b>	<b>(1,539)</b>

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### **3. Discontinued operations**

#### **Marketing**

On June 29, 2012, Tuckamore sold its 80% interest in Armstrong Partnership LP for cash proceeds of \$5,366 and a distribution settled of \$243. This sale resulted in an accounting gain of approximately \$3,186. Approximately \$3,800 of the total proceeds were used to repay the senior credit facility.

#### **Industrial Services**

In November 2011, the majority limited partner of Waydex Services LP ("Waydex") delivered to ClearStream an offer letter pursuant to the shotgun buy-sell provision of the limited partnership agreement governing Waydex. In December 2011, ClearStream elected to sell its 40% interest in Waydex to the majority partner. The buy-sell transaction closed on January 24, 2012 for gross proceeds of \$2,500 resulting in a nominal accounting loss. Net proceeds were used to repay senior indebtedness in the amount of \$2,400. No income or loss was recorded in 2012 related to Waydex.

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The following tables show the revenue, expenses and net income from discontinued operations for the year ended December 31, 2012.

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For the year ended December 31, 2012	
	Marketing
Revenue	5,215
Expenses	(4,877)
Income before taxes	338
Gain on sale of investment	3,186
Income tax expense - deferred	(1,562)
Net income from discontinued operations	\$ 1,962
Net income per share - basic	\$ 0.02
Net income per share - diluted	\$ 0.02

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The following table shows the assets and liabilities held for sale as at January 1, 2012:

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Effect of disposal on the financial position	Industrial
Total assets of discontinued operations	3,517
Total liabilities of discontinued operations	651
Net assets of discontinued operations	2,866

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### 4. Financial instruments

a) Tuckamore has classified its financial instruments as follows:

As at	December 31, 2013	December 31, 2012	January 1, 2012
<b>Financial Assets</b>			
Held for trading, measured at fair value:			
Cash and cash equivalents	\$ 28,883	\$ 10,543	\$ 26,134
Cash and short term investments held in trust	2,950	2,935	6,842
<b>Total financial assets, held for trading</b>	<b>\$ 31,833</b>	<b>\$ 13,478</b>	<b>\$ 32,976</b>
Loans and receivables, measured at amortized cost:			
Accounts receivable	\$ 145,858	\$ 160,786	\$ 132,258
Advances to Joint Venture Operating Partners	1,467	1,359	1,410
Employee loans	1,335	1,335	1,572
<b>Total loans and receivables</b>	<b>\$ 148,660</b>	<b>\$ 163,480</b>	<b>\$ 135,240</b>
Financial liabilities, measured at amortized cost:			
Accounts payable and accrued liabilities	\$ 65,807	\$ 72,699	\$ 82,939
Capital lease obligations	17,625	16,429	8,441
Current portion of senior credit facility	5,481	-	10,000
Senior credit facility	84,354	89,300	85,705
Secured debentures	159,700	152,860	146,314
Unsecured debentures	24,819	18,781	14,215
<b>Total financial liabilities</b>	<b>\$ 357,786</b>	<b>\$ 350,069</b>	<b>\$ 347,614</b>

The fair value of loans and receivables and financial liabilities, other than those discussed below, do not differ significantly from their carrying value due to their short-term nature and the fact that any interest on these instruments reflect market rates and are level 3 instruments. The secured debentures, unsecured debentures and senior credit facility at December 31, 2013 had fair values of \$147,150, \$5,841 and \$90,637, respectively compared to \$110,143, \$6,638 and \$90,755, respectively at December 31, 2012 and \$114,548, 11,484 and \$103,789, respectively at January 1, 2012.

Cash in trust represents restricted cash, which is backing letters of credit and cash in trust held on behalf of insurance providers. Letters of credit are predominately used to secure cash management services and as a performance guarantee at certain operating partners.

Tuckamore determines fair value of its financial instruments based on the following hierarchy:

- Level 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted unadjusted market price at the reporting date. Active markets are those in which transactions occur in significant frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – If there is no active market, fair value is established using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable market data, including recent arm's length market transactions, and comparisons to the current fair value of similar instruments; where this is not feasible, inputs such as liquidity risk, credit risk and volatility are used.

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- Level 3 – Valuations in this level are those with inputs that are not based on observable market data.

The fair value disclosures for the assets classified as held for trading and the secured and unsecured debentures are categorized as Level 1. The fair value disclosure for the senior credit facility is categorized as Level 3. The cash flows of the senior credit facility are discounted at the current market rates.

### b) Net Interest Expense

Tuckamore has recorded net interest expense in relation to the following financial instruments:

For the year ended December 31,	2013	2012
Interest expense on senior credit facility	\$ 3,810	\$ 4,911
Interest expense on secured debentures	14,098	14,098
Net interest income earned on advances to Operating Partners	(162)	(160)
Interest expense on finance leases (note 14)	1,191	943
Interest expense - other	246	115
Interest expense on unsecured debentures	962	962
Deferred financing costs amortized	653	625
Accretion expense related to secured and unsecured debentures	12,878	11,112
Interest expense	\$ 33,676	\$ 32,606

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### 5. Accounts receivable

Tuckamore establishes an allowance for doubtful accounts that represents its estimate of expected losses with respect to trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and an overall loss component established based on historical trends and other information. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable.

Accounts receivable comprise the following:

	December 31, 2013	December 31, 2012	January 1, 2012
Trade receivables	\$ 103,706	\$ 123,256	\$ 96,767
Allowance for doubtful accounts	(3,508)	(1,643)	(1,276)
Holdback receivable	9,880	8,540	12,994
Other	35,780	30,633	23,773
Total accounts receivable	\$ 145,858	\$ 160,786	\$ 132,258

Other receivables primarily consist of unbilled accounts receivable.

Trade receivables are non-interest bearing and generally due on 30-90 day terms. The changes in the allowance during the year were as follows:

Allowance for doubtful accounts, January 1, 2012	\$	1,276
Increase in allowance during the year		1,301
Receivables written off as uncollectible		(934)
Allowance for doubtful accounts, December 31, 2012		1,643
Increase in allowance during the year		2,322
Receivables written off as uncollectible		(457)
Allowance for doubtful accounts, December 31, 2013	\$	3,508

The aging analysis of trade receivables is as follows:

	Total	Current	30-60 days	61-90 days	91-120 days	>120 days
December 31, 2013	\$ 103,706	\$ 61,809	\$ 8,807	\$ 15,931	\$ 3,321	\$ 13,838
December 31, 2012	\$ 123,256	\$ 89,876	\$ 6,643	\$ 17,799	\$ 4,618	\$ 4,320
January 1, 2012	96,767	82,165	5,449	4,983	3,913	257

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

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### 6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	December 31, 2013	December 31, 2012	January 1, 2012
Trade payables	\$ 28,957	\$ 42,486	\$ 41,559
Accrued liabilities	34,165	28,499	31,009
Interest payable	2,685	1,714	10,371
Total accounts payable and accrued liabilities	\$ 65,807	\$ 72,699	\$ 82,939

### 7. Inventories

Inventories comprise the following:

	December 31, 2013	December 31, 2012	January 1, 2012
Raw materials	2,687	\$ 3,226	\$ 3,583
Work-in-progress	7,392	9,066	19,311
Finished goods	1,541	2,292	3,136
Parts and supplies	1,101	1,342	1,014
Total inventories	\$ 12,721	\$ 15,926	\$ 27,044

Work in progress includes amounts for work performed in excess of amounts billed for contracts accounted for using the percentage of completion method.

Included in cost of revenue is the cost of inventories of \$48,068 (2012 - \$62,597).

As at December 31, 2013, the inventory of consolidated entities and joint ventures with a carrying amount of \$12,721 and \$11,884, respectively, were subject to a general security agreement under the senior credit facility (December 31, 2012 - \$15,926 and \$9,862).

### 8. Other assets

	December 31, 2013	December 31, 2012	January 1, 2012
Advances to Operating Partners	\$ 1,467	\$ 1,359	\$ 1,410
Other	1,899	2,269	3,342
Total other assets	3,366	3,628	4,752
Less: Current portion	2,733	2,943	3,041
Other assets - long-term	\$ 633	\$ 685	\$ 1,711

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

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### 9. Property, plant and equipment

	Equipment under finance lease	Furniture and equipment	Computer hardware	Automotive and heavy equipment	Land and buildings	Leasehold improvements	Total
<b>Cost</b>							
<b>Balance at January 1, 2012</b>	\$ 20,517	\$ 12,199	\$ 3,733	\$ 67,065	\$ 5,981	\$ 7,005	\$ 116,500
Additions	13,823	585	391	2,420	327	527	18,073
Disposals	(774)	(19)	(26)	(2,006)	(80)	(118)	(3,023)
Other	-	6	-	367	17	-	390
<b>Balance at December 31, 2012</b>	\$ 33,566	\$ 12,771	\$ 4,098	\$ 67,846	\$ 6,245	\$ 7,414	\$ 131,940
Additions	7,412	972	504	2,085	36	4,510	15,519
Disposals	(1,560)	(580)	(487)	(6,866)	(756)	(297)	(10,546)
Reclassification	(7,139)	77	-	7,062	291	(291)	-
<b>Balance as December 31, 2013</b>	\$ 32,279	\$ 13,240	\$ 4,115	\$ 70,127	\$ 5,816	\$ 11,336	\$ 136,913
<b>Depreciation</b>							
<b>Balance at January 1, 2012</b>	(8,958)	(4,290)	(2,789)	(34,125)	(1,711)	(4,021)	\$ (55,894)
Depreciation for the year	(3,359)	(1,255)	(457)	(7,978)	(179)	(1,210)	(14,438)
Disposals	546	3	17	1,520	8	115	2,209
<b>Balance at December 31, 2012</b>	(11,771)	(5,542)	(3,229)	(40,583)	(1,882)	(5,116)	\$ (68,123)
Depreciation for the year	(5,252)	(1,135)	(456)	(7,121)	(172)	(1,074)	(15,210)
Disposals	1,853	63	483	6,200	259	250	9,108
Reclassification	3,276	381	-	(3,657)	136	(136)	-
<b>Balance at December 31, 2013</b>	\$ (11,894)	\$ (6,233)	\$ (3,202)	\$ (45,161)	\$ (1,659)	\$ (6,076)	\$ (74,225)
<b>Net book value</b>							
At January 1, 2012	\$ 11,559	\$ 7,909	\$ 944	\$ 32,940	\$ 4,270	\$ 2,984	\$ 60,606
At December 31, 2012	\$ 21,795	\$ 7,229	\$ 869	\$ 27,263	\$ 4,363	\$ 2,298	\$ 63,817
At December 31, 2013	\$ 20,385	\$ 7,007	\$ 913	\$ 24,966	\$ 4,157	\$ 5,260	\$ 62,688

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars)

Years Ended December 31, 2013 and 2012

a) Collateral:

As at December 31, 2013, the property, plant and equipment of consolidated entities and joint ventures with a carrying amount of \$42,303 and \$1,465, respectively, are subject to a general security agreement under the senior credit facility (December 31, 2012 - \$42,022 and \$1,713, January 1, 2012 - \$49,047 and \$2,258).

b) Capital commitments:

As at December 31, 2013, Tuckamore had no capital commitments for the acquisition of new equipment (December 31, 2012 - \$nil).

### 10. Goodwill and intangible assets

	Goodwill	Customer relationships	Computer software	Brands	Sales Orders	Management Contracts	Intangible Total
<b>Cost</b>							
<b>Balance at January 1, 2012</b>	\$ 91,723	\$ 132,777	\$ 2,181	\$ 16,538	\$ 2,444	\$ 2,000	\$ 155,940
Additions	-	-	91	-	-	-	91
Reclassification	-	(399)	(83)	(64)	-	-	(546)
Other	-	(441)	89	-	-	-	(352)
<b>Balance at December 31, 2012</b>	\$ 91,723	\$ 131,937	\$ 2,278	\$ 16,474	\$ 2,444	\$ 2,000	\$ 155,133
Additions	-	-	406	-	-	-	406
Reclassification	-	(199)	-	-	-	-	(199)
Other	-	-	-	-	-	-	-
<b>Balance at December 31, 2013</b>	\$ 91,723	\$ 131,738	\$ 2,684	\$ 16,474	\$ 2,444	\$ 2,000	\$ 155,340
<b>Amortization and impairments</b>							
<b>Balance at January 1, 2012</b>	(23,683)	(76,312)	(810)	(321)	(713)	(167)	(78,323)
Amortization for the year	-	(8,243)	(693)	-	(1,222)	(666)	(10,824)
Impairment	(4,200)	-	-	(5,068)	-	-	(5,068)
Reclassification	(1)	544	-	-	2	-	546
<b>Balance at December 31, 2012</b>	\$ (27,884)	\$ (84,011)	\$ (1,503)	\$ (5,389)	\$ (1,933)	\$ (833)	\$ (93,669)
Amortization for the year	-	(7,405)	(390)	-	(511)	(667)	(8,973)
Impairment	(2,712)	-	-	(3,001)	-	-	(3,001)
Reclassification	1	199	-	-	-	-	199
<b>Balance at December 31, 2013</b>	\$ (30,595)	\$ (91,217)	\$ (1,893)	\$ (8,390)	\$ (2,444)	\$ (1,500)	\$ (105,444)
<b>Net book value</b>							
At January 1, 2012	\$ 68,040	\$ 56,465	\$ 1,371	\$ 16,217	\$ 1,731	\$ 1,833	\$ 77,617
At December 31, 2012	\$ 63,839	\$ 47,926	\$ 775	\$ 11,085	\$ 511	\$ 1,167	\$ 61,464
At December 31, 2013	\$ 61,128	\$ 40,521	\$ 791	\$ 8,084	\$ -	\$ 500	\$ 49,896

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### 11. Impairment testing of goodwill and intangible assets with indefinite lives

Tuckamore performed its annual test for the potential impairment of goodwill and intangible assets with an indefinite life in the fourth quarter of 2013. This test was performed in accordance with the policy described in note 1 and also took into consideration the Company's market capitalization compared to its book value. The difference between Tuckamore's market capitalization and book value is primarily due to a high leverage ratio and the relative size of the Company. Given the factors identified above, the market capitalization deficiency was not considered to be an indicator of impairment.

Tuckamore has nine CGUs, three of which include goodwill and/or intangible assets with an indefinite life. The carrying value of goodwill by Operating Partner and indefinite life intangible assets by significant CGUs are identified separately in the table below.

<b>Operating Partner</b>	<b>Indefinite life intangibles</b>	<b>Goodwill</b>
ClearStream		
Wear	\$ 1,574	
Oilsands	1,178	
Total ClearStream	\$ 2,752	\$ 61,128
Quantum Murray - Remediation	5,332	
<b>Total</b>	\$ 8,084	\$ 61,128

The valuation techniques, significant assumptions and sensitivities applied in the goodwill and indefinite life intangible asset impairment test are described below:

#### Valuation technique

The recoverable value is based on the higher of value in use ("VIU") using the income approach or the fair value less costs to sell ("FVLCS") using the market approach. The income approach is predicated upon the value of the future cash flows that a business will generate. The discounted cash flow ("DCF") method was used, which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about earnings before taxes, interest, depreciation and amortization ("EBITDA"), capital expenditures, growth rates, working capital and discount rates.

## TUCKAMORE CAPITAL MANAGEMENT INC.

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### **Growth rate and terminal value**

The assumptions used were based on the Company's internal budget. The Company used projected EBITDA and capital expenditures for five years and applied a perpetual long-term growth rate of 2% thereafter. The perpetual growth rates are management's estimate of long-term inflation and productivity growth in the industry and geographic locations in which it operates. In arriving at its forecasts, Tuckamore considered past experience, economic trends such as Gross Domestic Product growth and inflation as well as industry and market trends.

### **Discount rate**

Tuckamore assumed a pre-tax discount rate of 16%-19% in order to calculate the present value of projected future cash flows. The discount rate represented a weighted average cost of capital ("WACC") for comparable companies operating in similar industries based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate.

During the year ended December 31, 2013, \$2,712 of goodwill and \$3,001 of brand at Gemma was impaired as a result of the continued decline in volumes from a significant customer. All of Gemma's goodwill and indefinite life intangibles have been written down. The recoverable amount of Gemma approximates its carrying value.

During the year ended December 31, 2012, \$5,067 of brand related to various subsidiaries of ClearStream were written down due to a name change to ClearStream resulting from a "one company strategy" to improve the market presence and brand strength of the organization as a whole.

During the year ended December 31, 2012, \$4,201 of goodwill related to Gemma was impaired as a result of the revenue impact of anticipated declines in the volume of business from a significant customer.

Management has considered reasonably possible changes in assumptions for the discounted cash flows. In all of these scenarios, with the exception of those discussed above, the recoverable amount was greater than the carrying value, providing evidence that there is no further impairment.

## TUCKAMORE CAPITAL MANAGEMENT INC.

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### 12. Construction contracts

The total income and expense recognized from construction contracts in progress for Quantum Murray at year end were as follows:

For the year ended December 31,	2013	2012
Costs incurred for the year	\$ 54,916	\$ 49,925
Recognized profits (losses)	7,812	(2,861)
Contract revenue for the year	\$ 62,728	\$ 47,064
Progress billings	(61,723)	(46,213)
Gross costs in excess of billings	\$ 1,005	\$ 851

The following are additional details for all construction contracts:

For the year ended December 31,	2013	2012
Aggregate amounts of costs incurred and recognized profits (less losses to date)	\$ 117,526	\$ 119,907
Holdbacks receivable	9,880	8,540
Billings in advance	482	120

For the year ended December 31,	2013	2012
Aggregate gross costs in excess of billings (WIP)	\$ 7,392	\$ 9,103
Aggregate gross billings in excess of costs (deferred revenue)	(482)	(4,833)
Aggregate net costs in excess of billings	\$ 6,910	\$ 4,270

The aggregate amounts of costs incurred and recognized in profits (less losses to date) include amounts from projects which were completed and in progress as at December 31, 2013 and December 31, 2012, respectively.

Holdbacks receivable are recorded in accounts receivable on the consolidated balance sheets. Billings in advance are recorded in deferred revenue on the consolidated balance sheets.

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

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Years Ended December 31, 2013 and 2012

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### 13. Senior credit facility and debentures

#### a) Senior credit facility

As at January 1, 2012 senior debt was \$96,955 before deferred financing charges of \$1,250.

On January 24, 2012 the sale of Waydex Services LP closed for net proceeds of \$2,400 which was used to repay senior indebtedness.

On March 9, 2012 Tuckamore completed an assignment (the "Assignment") to Bank of Montreal ("BMO") of its senior credit facility from Marret. In connection with the Assignment, BMO received an assignment of all of the rights and obligations of the Marret Lenders under the Senior Credit Facility. Tuckamore also entered into a third amended and restated credit agreement, providing improved borrowing terms to the Tuckamore group of companies (the "Amended Senior Credit Facility") and appointing BMO as agent. The maturity date of the senior credit facility is March 9, 2015. The Senior Credit Facility had an interest rate of prime plus 1.5%, and contained customary covenants which included interest coverage ratio, priority senior debt ratio and minimum EBITDA amount.

For accounting purposes, the assignment of the Senior Credit Facility to BMO was a de-recognition of debt. A loss on de-recognition of \$1,534 was recorded representing transaction costs and the write-off of deferred financing costs related to the de-recognized facility.

On June 29, 2012 the sale of Armstrong Partnership LP closed for net proceeds of \$3,800 which was used to repay senior indebtedness.

Effective November 13, 2012 Tuckamore reached an agreement to amend the financial covenants related to the Amended Senior Credit facility. The amended covenants include the interest coverage ratio, priority senior debt ratio and the minimum EBITDA amount. The amended covenants were in effect for three quarters commencing the quarter ended September 30, 2012. As part of the amendment, the interest rate on the Amended Senior Credit Facility was adjusted to prime plus 1.625%. The total cost of the amendment was 0.125% or \$113.

On September 25, 2013 Tuckamore reached an agreement to amend the financial covenants ("the Second Amendment") related to the Senior Credit facility. The amended covenants include the interest coverage ratio, priority senior debt ratio and the minimum EBITDA amount, and are in effect for all quarters, commencing with the quarter ended September 30, 2013 through to December 2014. As part of the Second Amendment, the interest rate on the Senior Credit Facility was adjusted to prime plus 1.75%. This rate can be reduced when certain leverage ratios are achieved. The total cost of the amendment was 0.225% or \$204.

Advances outstanding under the Amended Senior Credit Facility as December 31, 2013 total \$90,637 with \$60,000 of this amount as a revolving facility and the balance as a term facility.

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At December 31, 2013 Tuckamore was in compliance with its debt covenants. There is a risk that the Company may not meet certain debt covenants in the future and without an amendment from its senior lenders, the senior credit facility and debentures would be due on demand and classified as current.

Tuckamore is obligated to repay a portion of the senior credit facility prior to the maturity date of the senior credit facility based on proceeds from specified dispositions, proceeds from the issuance of equity instruments or based on excess operating cash flows as defined. During 2013, excess cash flows of \$118 were used to repay a portion of the term facility. In March 2014, Tuckamore will repay \$5,481 representing 75% of excess cash flow for the fourth quarter of 2013.

Senior credit facility at January 1, 2012	\$ 96,955
Repayments	(6,200)
Senior credit facility at December 31, 2012	\$ 90,755
Repayments	(118)
Senior credit facility at December 31, 2013	\$ 90,637
Deferred financing costs at January 1, 2012	\$ (1,250)
Additional deferred financing costs incurred on the old facility	(403)
Deferred costs written off on de-recognition of debt	1,534
Deferred financing costs incurred on new senior credit facility	(1,961)
Amortization of deferred financing costs	625
Deferred financing costs at December 31, 2012	\$ (1,455)
Amortization of deferred financing costs	653
Deferred financing costs at December 31, 2013	\$ (802)
Net balance of senior credit facility at December 31, 2013	\$ 89,835
Less: Current portion of senior credit facility at December 31, 2013	\$ (5,481)
Long-term portion of senior credit facility	\$ 84,354

### b) Secured and unsecured debentures

On February 28, 2011, Tuckamore issued a management information circular to debenture holders which provided details of the proposed exchange of the existing convertible debentures (the "Exchange"). Under the proposed Exchange, the existing Debentures were to be mandatorily exchanged for second lien notes (the "Secured Debentures") and the unpaid accrued interest on the Debentures were to be exchanged for unsecured subordinated notes (the "Unsecured Debentures"). On March 18, 2011, the serial meetings of the debenture holders were held and at each meeting the debenture holders voted in favour of the Exchange transaction. As a result, the Secured Debentures and the Unsecured Debentures (the "New Debentures") were issued on March 23, 2011 pursuant to a new indenture agreement.

The aggregate principal amount of the Secured Debentures is \$176,228 which satisfied the principal amount of the Debentures and principal amount and interest outstanding on the Subordinated Revolving Credit Facility on March 23, 2011. The maturity date of the Secured Debentures is March 23, 2016 (the "Secured Debenture Maturity Date"). The interest rate is 8% per annum, payable semi-annually in arrears on June 30 and December 31 in each year until the Secured Debenture Maturity Date. Tuckamore has the option to repurchase any or all of the Secured Debentures outstanding at any time

## TUCKAMORE CAPITAL MANAGEMENT INC.

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and Tuckamore also has the right to redeem in cash any or all Secured Debentures outstanding at any time in its sole discretion without bonus or penalty, provided all accrued interest is paid at redemption, assuming Tuckamore has cash available and subject to any restrictions in the senior credit facility. Tuckamore is also obligated to redeem a portion of the Secured Debentures prior to the Secured Debenture Maturity Date in certain circumstances based on proceeds from specified dispositions, proceeds from the issuance of equity instruments or based on excess operating cash flow as defined. The Secured Debentures have a security interest in substantially all of Tuckamore's assets which is subordinated to similar security interests granted in connection with the Senior Credit Facility or certain debt incurred in the future by Tuckamore's subsidiaries. The Secured Debentures were listed on the Toronto Stock Exchange ("TSX") on the date of closing of March 23, 2011.

The aggregate principal amount of the Unsecured Debentures is equal to the accrued and unpaid interest on the Debentures at March 23, 2011 of \$26,552. The maturity date is March 23, 2014 (the "Unsecured Debenture Maturity Date"). Interest accrues on the principal amount of the Unsecured Debentures at a non-compounding rate of 3.624% per annum, payable in cash at the Unsecured Debenture Maturity Date. Tuckamore will repay the principal amount of the Unsecured Debentures on the Unsecured Debentures Maturity Date either in cash or by delivering common shares of Tuckamore Capital Management Inc. at a conversion price of \$0.2254 per common share. The total number of common shares to be issued on the repayment of the Unsecured Debentures is capped at 10% of the outstanding common shares of Tuckamore Capital Management Inc. on the repayment date. The Unsecured Debentures were listed on the TSX on the closing date of March 23, 2011. It is expected that, in accordance with the indenture, Tuckamore will settle the Unsecured Debentures on March 23, 2014 by delivering common shares of Tuckamore equivalent to 10% of the outstanding common shares of Tuckamore.

	<b>Secured Debentures</b>	<b>Unsecured Debentures</b>
Issue date	March 23, 2011	March 23, 2011
Principal amount	\$ 176,228	\$ 26,552
Interest rate	8.0%	3.624%
Carrying value at December 31, 2013	\$ 159,700	\$ 24,819
Accretion expense recorded in 2013	\$ 6,840	\$ 6,038
Accretion expense recorded in 2012	\$ 6,546	\$ 4,566
Maturity date	March 23, 2016	March 23, 2014

## TUCKAMORE CAPITAL MANAGEMENT INC.

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### 14. Obligations under finance leases

Finance lease obligations relate to vehicles and heavy equipment. The leases bear interest at rates from 1% to 16% (2012 - 1% to 17%) per annum and are secured by specific assets. Tuckamore's future minimum payments are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
2012	\$ -	\$ -	\$ 5,352
2013	-	5,699	1,877
2014	6,940	5,122	1,552
2015	5,454	3,684	469
2016	4,177	2,290	293
2017	2,230	2,062	-
2018	965	-	-
Total minimum lease payments	19,766	18,857	9,543
Less amount representing interest (at rates ranging from 1% to 17%)	2,141	2,428	1,102
Present value of net minimum finance lease payments	17,625	16,429	8,441
Less current portion of obligations under finance leases	6,041	4,751	5,163
Long-term portion of obligation under finance leases	\$ 11,584	\$ 11,678	\$ 3,278

Interest of \$1,191 for the year ended December 31, 2013 (2012 - \$943) relating to finance lease obligations has been included in interest expense.

### 15. Commitments and other contingencies

(a) Tuckamore is committed to payments under operating leases for equipment, office premises and land through 2029 in the total of approximately \$77,838. Operating lease payments are based on contracts currently in place. Changes to these contracts may result in changes to future commitments. The minimum annual payments exclusive of operating costs under these lease arrangements are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
2012	-	-	\$ 9,755
2013	-	12,714	6,490
2014	13,790	10,646	4,290
2015	11,553	8,744	3,115
2016	9,793	7,509	2,563
2017	8,036	6,233	2,348
2018	5,471	1,932	-
Thereafter	29,195	21,235	-
Total commitments under operating leases	\$ 77,838	\$ 69,013	\$ 28,561
Last year of commitment	2029	2027	2018

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Tuckamore's contractual obligations for the years 2014 to 2018 and thereafter are as follows:

	2014	2015	2016	2017	2018	Thereafter	Total
Accounts payable and accrued liabilities	\$ 65,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,807
Senior credit facility	5,481	85,156	-	-	-	-	90,637
Secured debentures	-	-	176,228	-	-	-	176,228
Unsecured debentures <sup>2</sup>	26,552	-	-	-	-	-	26,552
Capital lease obligations	6,940	5,454	4,177	2,230	965	-	19,766
Operating leases	13,790	11,553	9,793	8,036	5,471	29,195	77,838
Contractual undiscounted interest payments <sup>1</sup>	20,815	17,668	3,525	-	-	-	42,008
Total Contractual Obligations	\$139,385	\$ 119,831	\$193,723	\$10,266	\$ 6,436	\$29,195	\$498,836

<sup>1</sup> Contractual undiscounted interest payments are calculated using fixed interest rates on the Senior Credit Facility, Secured Debentures and Unsecured Debentures. These calculations are made using the assumption that the debt balances as at December 31, 2013 will not change until they are fully repaid at maturity.

<sup>2</sup> Upon maturity, amounts outstanding for the Unsecured Debentures can be settled in shares of Tuckamore (note 13).

- (b) The various acquisition agreements provide that elections may be made under the Income Tax Act (Canada) to transfer the assets of the predecessor businesses to the various respective limited partnerships on a tax deferred basis. Accordingly, the tax cost to the Operating Partnership of the assets transferred where such elections are made may be less than the fair market value of such assets and, as such, some of the Operating Partnerships may realize a taxable gain on a future disposition of the assets. Certain acquisitions involved various corporate structuring steps to complete the transactions in a tax effective manner. These transactions involved interpretations of the Income Tax Act (Canada) that could if interpreted differently result in additional tax liabilities.
- (c) Tuckamore and its Operating Partnerships are subject to material claims and litigation proceedings arising in the normal course of operations. These contingencies are provided for when they are likely to occur and can be reasonably estimated.

A statement of claim has been filed by a former employee of Tuckamore alleging breach of contract, wrongful dismissal, defamation and intentional interference with economic relations. The claim is for an amount of \$6,500. The claim is being defended and management is of the opinion that the claim is without merit.

A statement of claim has been filed by a seller of a minority position in a subsidiary of Tuckamore in connection with the calculation of income as related to a promissory note forming part of the transaction. The claim is being defended and management feels it is without merit. The Company has made a counterclaim.

Quantum has filed a construction lien and statement of claim against a former customer of Quantum in the amount of \$4,778. A counterclaim was filed by the defendant in the amount of \$736. The counterclaim is being defended and management is of the opinion that the claim is without merit.

## TUCKAMORE CAPITAL MANAGEMENT INC.

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(d) Tuckamore has \$2,950 of letters of credit outstanding as at December 31, 2013. The letters of credit are predominantly used to secure cash management services and as a performance guarantee in certain Operating Partnerships. The letters of credit are cash collateralized and the cash balance is included in cash and short-term investments held in trust.

### 16. Revenue

The following are amounts for each significant category of revenue recognized during the years ended December 31, 2013 and December 31, 2012:

For the year ended December 31,	2013		2012	
Rendering of services	\$	567,279	\$	623,785
Sales of goods		105,832		59,971
Total revenue	\$	673,111	\$	683,756

### 17. Income taxes

The reconciliation of statutory income tax rates to Tuckamore's effective tax rate is as follows:

For the year ended December 31,	2013		2012	
Income tax recovery at statutory rates	\$	5,355	\$	8,496
Permanent differences		(2,158)		(3,130)
Change in tax rates on temporary differences		-		866
Other		(369)		(1,697)
Income tax recovery	\$	2,828	\$	4,535

The major components of income tax recovery are as follows:

For the year ended December 31,	2013		2012	
Current income tax expense				
Based on taxable income of the current year	\$	(3)	\$	(671)
Deferred income tax recovery:				
Origination and reversal of temporary differences		2,831		4,340
Deferred tax due to changes in tax rates		-		866
Income tax recovery recorded	\$	2,828	\$	4,535

The tax effects of temporary differences that give rise to deferred income tax assets (liabilities) are as follows:

December 31	2013		2012	
Deferred income tax assets (liabilities):				
Fixed assets	\$	(3,733)	\$	(5,185)
Intangible assets		206		(1,637)
Debentures		(4,839)		(8,252)
Net operating losses		3,377		5,960
Other		(661)		601
Total deferred income tax liabilities	\$	(5,650)	\$	(8,513)

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

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Tuckamore has approximately \$131,851 of capital losses that have not been recognized in the consolidated financial statements as at December 31, 2012 (2012 - \$131,851). There is no expiry of capital losses.

### 18. Loss per share

The shares issuable under the stock options are the only potentially dilutive shares.

The following table sets forth the adjustments to the numerator and denominator for fully diluted income (loss) per share:

For the year ended December 31,	2013	2012
Numerator:		
Loss from continuing operations	\$ (17,381)	\$ (27,525)
Net income from discontinued operations	-	1,962
Net loss	\$ (17,381)	\$ (25,563)
Denominator:		
Weighted average number of shares outstanding (basic)	71,631	71,631
Effect of stock options <sup>1</sup>	-	-
Weighted average number of shares outstanding	71,631	71,631

<sup>1</sup>The effect of stock options for the year ended December 31, 2013 and 2012 was anti-dilutive.

The authorized share capital of the Company consists of: (i) an unlimited number of shares and (ii) preferred shares issuable in series to be limited in number of an amount equal to not more than one half of the limited and outstanding shares at the time of issuance of such preferred share. As at December 31, 2013, there were 71,631,431 shares issued and outstanding and no preferred shares issued and outstanding.

## TUCKAMORE CAPITAL MANAGEMENT INC.

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### 19. Stock-based compensation

On November 30, 2009 the unitholders of Tuckamore approved an Incentive Option Plan ("IOP"). Pursuant to the IOP, 7,100,590 shares were listed and reserved for issuance upon the exercise of the stock options granted. On March 25, 2011, the IOP was amended to permit the adoption of a new Management Incentive Plan ("MIP").

Pursuant to the MIP, 7,150,000 shares were listed and reserved for issuance upon the exercise of stock options. The term and conditions of the grants are as follows:

Plan	Grant date	Number of options	Exercise price	Vesting dates	Contractual life of options
IOP	January 13, 2010	7,000,000	\$0.403	2010 to 2013	5 years
	March 25, 2011	50,000	\$0.358	50% vest on March 25, 2012 50% vest on March 25, 2013	5 years
MIP	March 25, 2011	7,150,000	\$0.358	50% vest on March 25, 2012 50% vest on March 25, 2013	5 years
Total options granted		14,200,000			

The number and weighted average exercise prices of share options are as follows:

	IOP		MIP		Total
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	
Outstanding at January 1, 2012	\$0.403	7,000,000	-	-	7,000,000
Granted during the year	\$0.358	50,000	\$0.358	7,150,000	7,200,000
Outstanding at December 31, 2012		7,050,000		7,150,000	14,200,000
Exercisable at December 31, 2012		6,841,800		3,575,000	10,416,800
Outstanding at December 31, 2013		7,050,000		7,150,000	14,200,000
Forfeited during 2013		(850,000)		(50,000)	(900,000)
Exercisable at December 31, 2013		6,200,000		7,100,000	13,300,000

The options outstanding at December 31, 2013 have an exercise price in the range of \$0.358 to \$0.403 and a weighted average remaining contractual life of 2 years.

Tuckamore estimates stock-based compensation expense at the grant date based on the fair value of the options as calculated by the Black-Scholes fair value option pricing model. This fair value model requires various judgmental assumptions including volatility and expected life of the options. The resulting fair value is charged to compensation expense over the vesting period of the options. The following assumptions were used in arriving at the fair value of the options granted:

	IOP	MIP
Risk free interest rate	1.63%	1.69%
Expected volatility	141%	122%
Expected weighted average life of options	2.42 years	2 years
Expected dividend yield	0%	0%

## TUCKAMORE CAPITAL MANAGEMENT INC.

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Year ended December 31, 2013	IOP	MIP	Total
2013 Stock based compensation expense using grant date fair value	\$ 6	\$ 164	\$ 170
Contributed surplus related to stock based compensation as at December 31, 2013	\$ 2,847	\$ 3,056	\$ 5,903

  

Year ended December 31, 2012	IOP	MIP	Total
2012 Stock based compensation expense using grant date for fair value	\$ 216	\$ 960	\$ 1,176
Contributed surplus related to stock based compensation as at December 31, 2012	\$ 2,841	\$ 2,892	\$ 5,733

The intrinsic value of vested stock-based compensation awards outstanding as at December 31, 2013 was \$nil.

### 20. Related party disclosures

#### a) Advances to Operating Partnerships

The consolidated financial statements include Tuckamore and the subsidiaries listed in note 1. Tuckamore regularly provides advances to the Operating Partnerships to fund working capital needs. The advances bear interest at prime plus 1%, are unsecured and are due on demand. Advances are included in other current assets. The following table reflects the advances to the other joint venture partners of the Operating Partnerships:

	December 31, 2013	December 31, 2012	January 1, 2012
Net advances to joint venture Operating Partners	\$ 1,467	\$ 1,359	\$ 1,410

#### b) Employee loans

Employee loans were made to certain management and employees. In accordance with the terms and conditions, the loans bear interest at prime, were used to purchase shares of Tuckamore and are collateralized by shares and in certain cases personal guarantees. The loan balance is disclosed in the table below.

	December 31, 2013	December 31, 2012	January 1, 2012
Loans to current and former employees	\$ 1,335	\$ 1,335	\$ 1,572

#### c) Other related party transactions

Income from equity investments includes \$620 of rent expense paid to a company owned by the minority shareholder of Gusgo for the year ended December 31, 2013 (2012 - \$638). These transactions occurred in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to between the parties. Tuckamore shares space and services with a business that employs two of its directors and paid \$151 for the year ended December 31, 2013 (2012- \$176) for such services. Interest charged to joint venture Operating Partners on advances was \$162

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

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(2012 - \$160). Two operating leases for property, with annual rents of \$312 and \$300 are with a landlord in which certain executives of Tuckamore hold an indirect minority interest. One of Tuckamore's former board members is a member of the executive team for a client of Gemma. Revenues in the amount of \$7,375 were realized from this client during the period in which this particular board member served on Tuckamore's board in 2013 (2012 - \$14,200). Another former member of Tuckamore's board is a senior partner at a vendor from which Tuckamore obtains services. Total expenses and expenditures for services obtained during the period in which this particular board member served on Tuckamore's board in 2013 amounted to approximately \$796 (2012 - \$1,900).

### d) Compensation for Key Management Personnel

Tuckamore's key management personnel includes the Directors, CEO, CFO, Vice Presidents and other senior management at Tuckamore and the CEO, CFO and Vice Presidents at the Operating Partners. The remuneration for these key management personnel during the years ended December 31, 2013 and December 31, 2012 are as follows:

For the year ended December 31,	2013	2012
Short-term employment benefits	\$ 10,872	\$ 12,044
Post-employment benefits	-	8
Termination benefits	863	99
Share based payment	170	1,176
Total compensation	\$ 11,905	\$ 13,327

## 21. Deferred revenue

Balance at January 1, 2012	\$	3,016
Deferred during the year		2,253
Realized in income during the year		(2,564)
Balance at December 31, 2012	\$	2,705
Deferred during the year		2,937
Realized in income during the year		(2,594)
Balance at December 31, 2013	\$	3,048

## 22. Financial risk management

Tuckamore has exposure to credit risk, customer concentration risk, liquidity risk and market risk. Tuckamore's Board of Directors has overall responsibility for the establishment and oversight of Tuckamore's risk management framework.

### (a) Credit risk

Credit risk is the risk of financial loss to Tuckamore if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Tuckamore's accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

Cash and short term deposits are held at Canadian financial institutions (Schedule A Banks).

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

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Tuckamore has a credit policy under which each new customer is analyzed individually for creditworthiness before standard payment terms and conditions are offered. Tuckamore's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. When available, Tuckamore reviews credit bureau ratings, bank accounts and financial information for each new customer. A majority of Tuckamore's customers are located in Canada and represent various industries. ClearStream's customers are primarily multinational oil and gas and construction companies, all of which have strong creditworthiness.

### (b) Customer concentration risk

Revenues of ClearStream are concentrated, with its top three customers representing 41.4% of consolidated revenue for Tuckamore (2012 – 39%).

Revenues from the top three ClearStream customers represent 53.4% of ClearStream's total revenues for the year ended December 31, 2013 and 31.1% of the accounts receivable balance as at December 31, 2013 is due from these customers (2012 – 54% of revenues and 39% of accounts receivable).

Revenues from the top three Quantum Murray customers represent 19.9% of Quantum Murray's total revenues for the year ended December 31, 2013 and 22.9% of the accounts receivable balance as at December 31, 2013 is due from these customers (2012 – 25% of revenues and 14% of accounts receivable).

Revenues from the top three Gemma customers represent 80.7% of Gemma's total revenues for the year ended December 31, 2013 and 94.5% of the accounts receivable balance at December 31, 2013 is due from these customers (2012 – 76% of revenues and 85% of accounts receivable).

On a consolidated basis, the aforementioned customers of ClearStream, Quantum Murray and Gemma represent 47.9% of Tuckamore's revenues for the year ended December 31, 2013 and 27.0% of Tuckamore's accounts receivable balance as at December 31, 2013 (2012 – 48.1% of revenues and 33.2% of accounts receivable).

### (c) Liquidity risk

Liquidity risk is the risk that Tuckamore will not be able to meet its financial obligations as they come due. Tuckamore's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The maturity dates for long-term debt are 2015 and 2016 respectively. The finance lease obligations expire in the years 2014 to 2018.

Tuckamore's strategy is that long-term debt should always form part of its capital structure, assuming an appropriate cost. As existing debt approaches maturity, Tuckamore will replace it with new debt, convert it into equity or refinance or restructure, depending on the state of the capital markets at the time.

Tuckamore manages its liquidity risk by continuously monitoring forecast and actual gross profit and cash flows from operations.

## TUCKAMORE CAPITAL MANAGEMENT INC.

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### (d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will affect Tuckamore's income or the value of its financial instruments.

Tuckamore markets its products primarily in Canada and substantially all of its financial assets and liabilities originate in Canadian dollars. Tuckamore is exposed to currency risk for sales and purchases that are denominated in U.S. dollars. Tuckamore believes that this risk is minimal and has not entered into any currency hedging transactions.

Tuckamore is exposed to currency risk on certain sales and purchases. As at December 31, 2013, December 31, 2012 and January 1, 2012, Tuckamore's consolidated financial statements included the Canadian equivalent of the following U.S. dollar denominated balances:

As at	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	\$ 289	\$ 478	\$ 736
Accounts payable and accrued liabilities	(76)	(781)	(766)
	\$ 213	\$ (303)	\$ (30)

A 10% strengthening (weakening) in the Canadian dollar against the \$U.S dollar as at December 31, 2013 would result in \$21 gain (loss).

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company faces commodity price risk arising from changes to the market prices for scrap metal. The average price for scrap metal was \$372/tonne as at December 31, 2013 (2012 - \$404/tonne). A \$100/tonne price decrease would result in a \$358 (2012 - \$9,484) reduction to pre-tax earnings.

### (e) Interest rate risk

This company is subject to risks associated with debt financing, including the risk that credit facilities may not be re-financed on terms that are as favourable as those of existing indebtedness. If variable interest rates increased or decreased by one percent, there would be a \$906 change in the annual net income for the year ended December 31, 2013.

## 23. Changes in non-cash balances

	2013	2012
Accounts receivable	\$ 14,932	\$ (28,528)
Inventories	3,205	11,118
Prepaid expenses	(2,267)	(1,590)
Other current assets	209	99
Accounts payable and accrued liabilities	(6,860)	(10,274)
Deferred revenue	343	(311)
Total changes in non-cash balances	\$ 9,562	\$ (29,486)

## TUCKAMORE CAPITAL MANAGEMENT INC.

Notes to Consolidated Financial Statements

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### 24. Long-term Investments

At December 31, 2013 and 2012 Tuckamore holds a 92% interest in Titan, 80% interests in Gusgo, 80% interest in IC Group and other joint arrangements and associates. The summarized financial information for Tuckamore's joint arrangements and associates at 100% are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Current assets	\$ 28,513	\$ 31,263	\$ 37,614
Property, plant and equipment	2,876	3,101	3,681
Goodwill and intangibles	12,439	12,420	12,422
Other assets	1,353	1,353	1,753
<b>Total Assets</b>	<b>\$ 45,181</b>	<b>\$ 48,137</b>	<b>\$ 55,470</b>
Current liabilities	\$ 10,917	\$ 15,187	\$ 17,321
Long-term obligations	1,015	1,041	(1,233)
<b>Total Liabilities</b>	<b>\$ 11,932</b>	<b>\$ 16,228</b>	<b>\$ 16,088</b>
<b>Total Equity</b>	<b>\$ 33,249</b>	<b>\$ 31,909</b>	<b>\$ 39,382</b>
Attributable to:			
Tuckamore	\$ 28,281	\$ 27,115	\$ 33,160
Joint arrangement / associate partners	\$ 4,968	\$ 4,794	\$ 6,222
For the year ended December 31,	2013	2012	
Revenues	\$ 82,581	\$ 86,132	
Expenses	75,439	79,619	
<b>Net income</b>	<b>\$ 7,142</b>	<b>\$ 6,513</b>	
Attributable to:			
Tuckamore	\$ 5,780	\$ 5,891	
Joint arrangement / associate partners	\$ 1,362	\$ 622	
For the year ended December 31,	2013	2012	
Cash flows provided by operating activities	\$ 5,352	\$ 2,973	
Cash flows used in financing activities	\$ (4,761)	(2,896)	
Cash flows used in investing activities	\$ (165)	(908)	
<b>Net increase (decrease) in cash</b>	<b>\$ 426</b>	<b>\$ (831)</b>	

## **TUCKAMORE CAPITAL MANAGEMENT INC.**

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### **25. Segmented Information**

Tuckamore has four reportable operating segments, each of which has separate operational management and management reporting information. A majority of Tuckamore's operations, assets and employees are located in Canada. The marketing segment represents an integrated direct marketing company and a provider of on-line promotional and loyalty programs and select insurance products. The industrial services segment includes two reportable operating segments and represents investments in a fully integrated provider of mid-stream production services to the energy industry and a provider of demolition contract services and site remediation services. The other segment includes a distributor and manufacturer of heavy equipment, a container transportation business and a reverse logistics provider. The corporate segment includes head office administrative and financing costs incurred by Tuckamore. The eliminations column represents adjustments required to reconcile Tuckamore's segmented reporting, to the reporting on the consolidated balance sheets and the consolidated statement of loss and comprehensive loss. This column represents adjustments required to account for joint ventures under IFRS 11 (see note 1).

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Year Ended December 31, 2013	Marketing	Industrial Services	Other	Corporate	Eliminations	Total	
		ClearStream	Quantum Murray				
Revenue	\$ 30,461	\$ 522,524	\$ 139,998	\$ 50,571	\$ -	\$ (70,443)	\$ 673,111
Cost of revenue	(19,432)	(413,510)	(112,299)	(34,612)	-	47,959	(531,894)
Gross profit	11,029	109,014	27,699	15,959	-	(22,484)	141,217
Selling, general and administrative expenses	(10,321)	(61,368)	(29,749)	(11,204)	(6,866)	15,874	(103,634)
Amortization of intangible assets	(1,471)	(5,849)	(951)	(475)	(702)	475	(8,973)
Depreciation	(500)	(9,170)	(5,110)	-	(645)	215	(15,210)
Income from equity investment	-	-	-	-	-	5,780	5,780
Interest expense	(54)	(11,523)	(342)	(715)	(21,156)	114	(33,676)
Write-down of goodwill and intangible assets	(5,713)	-	-	-	-	-	(5,713)
(Loss) income before taxes	\$ (7,030)	\$ 21,104	\$ (8,453)	\$ 3,565	\$ (29,369)	\$ (26)	\$ (20,209)
Income tax (expense) recovery - current	(18)	16	-	-	(27)	26	(3)
Income tax recovery (expense) - deferred	1,221	2,324	(497)	(51)	(166)	-	2,831
(Loss) income from continuing operations	\$ (5,827)	\$ 23,444	\$ (8,950)	\$ 3,514	\$ (29,562)	\$ (0)	\$ (17,381)
Add back:							
Interest expense	54	11,523	342	715	21,156	(114)	33,676
Amortization	1,471	5,849	951	475	702	(475)	8,973
Depreciation	500	9,170	5,110	-	645	(215)	15,210
Income tax expense (recovery) - current	18	(16)	-	-	27	(26)	3
	(1,221)	(2,324)	497	51	166	-	(2,831)
EBITDA	\$ (5,005)	\$ 47,646	\$ (2,050)	\$ 4,755	\$ (6,866)	\$ (831)	\$ 37,649
Total assets as at:							
December 31, 2013	14,650	251,451	83,993	25,189	37,265	(10,024)	402,524
Total liabilities as at:							
December 31, 2013	6,459	137,032	54,150	23,431	155,436	(10,024)	366,484

Included in the assets and liabilities of the Marketing, Industrial and Other segments are long-term investments in joint ventures and associates of \$6,302, \$2,516 and \$19,463, respectively.

## TUCKAMORE CAPITAL MANAGEMENT INC.

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(In thousands of Canadian dollars)

Years Ended December 31, 2013 and 2012

Year Ended	Marketing		Industrial Services		Other	Corporate	Eliminations	Total
December 31, 2012			Quantum	Murray				
		ClearStream						
Revenue	\$36,566	\$ 500,490	\$169,163	\$51,188	\$ -	\$ (73,651)	\$ 683,756	
Cost of revenue	(23,962)	(413,555)	(139,085)	(34,592)	-	50,871	(560,323)	
Gross profit	12,604	86,935	30,078	16,596	-	(22,780)	123,433	
Selling, general and administrative expenses	(9,735)	(49,246)	(31,304)	(10,623)	(6,882)	15,937	(91,853)	
Amortization of intangible assets	(3,129)	(5,812)	(1,161)	-	(724)	2	(10,824)	
Depreciation	(639)	(8,491)	(5,509)	(535)	(3)	739	(14,438)	
Income from equity investments	-	-	-	-	-	5,891	5,891	
Interest expense	(46)	(11,948)	(347)	(716)	(19,770)	221	(32,606)	
Loss on de-recognition of debt	-	-	-	-	(1,534)	-	(1,534)	
Restructuring costs	-	-	(861)	-	-	-	(861)	
Write-down of goodwill and intangibles	(4,201)	(5,067)	-	-	-	-	(9,268)	
(Loss) income before income taxes	\$ (5,146)	\$ 6,371	\$ (9,104)	\$ 4,722	\$(28,913)	\$ 10	\$(32,060)	
Income tax expense - current	(90)	(685)	-	-	-	104	(671)	
Income tax recovery (expense) - deferred	53	1,900	2,027	(100)	1,440	(114)	5,206	
(Loss) income from continuing operations	\$ (5,183)	\$ 7,586	\$ (7,077)	\$ 4,622	\$(27,473)	\$ -	\$(27,525)	
Add back:								
Interest expense	46	11,948	347	716	19,770	(221)	32,606	
Amortization	3,129	5,812	1,161	-	724	(2)	10,824	
Depreciation	639	8,491	5,509	535	3	(739)	14,438	
Income tax expense - current	90	685	-	-	-	(104)	671	
Income tax expense (recovery) - deferred	(53)	(1,900)	(2,027)	100	(1,440)	114	(5,206)	
EBITDA	\$ (1,332)	\$ 32,622	\$ (2,087)	\$ 5,973	\$ (8,416)	\$ (952)	\$ 25,808	
Total assets as at:								
December 31, 2012	25,560	263,449	91,920	24,954	22,250	(13,595)	414,538	
Total liabilities as at:								
December 31, 2012	11,253	172,915	53,104	23,035	114,575	(13,595)	361,287	

Included in the assets and liabilities of the Marketing, Industrial and Other segments are long-term investments in joint ventures and associates of \$6,483, \$2,121 and \$18,511, respectively.

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### **26. Capital management**

Tuckamore's capital structure is comprised of shareholders' equity and short and long-term debt. Tuckamore's objective is to maintain access to diverse and cost-effective sources of capital with which to finance its operations, cash resources and investments made by it in the Operating Partnerships. Tuckamore also provides working capital advances to the Operating Partnerships.

Tuckamore is not subject to any externally imposed capital requirements other than standard and restrictive financial covenants on its senior facility and debentures with which it must comply. As at December 31, 2013 and 2012 Tuckamore was in compliance with all financial covenants.

### **27. Non-monetary transactions**

The receipt of consideration in the form of scrap materials was recorded as non-monetary transactions measured at fair value using active market prices. During the year ended December 31, 2013, \$613 (2012 - \$12,745) of scrap materials were received as consideration for demolition services provided and recorded as revenue.

### **28. Comparative figures**

As a result of the adoption of IFRS 11 the comparative consolidated statements of loss and comprehensive loss has been reclassified from statements previously presented to conform to the presentation in the December 31, 2013 consolidated financial statements. Please refer to note 1 and 2 for more information.