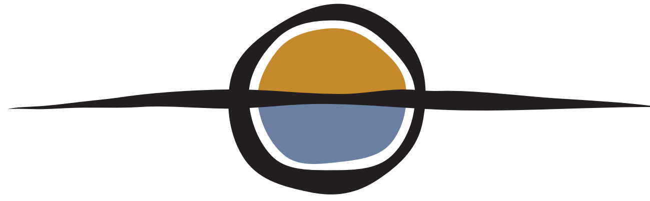

HORIZON NORTH
Logistics Inc

Annual Report 2013

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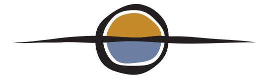
Information on Annual General Meeting

The Annual General Meeting of the Shareholders of Horizon North Logistics Inc. will be held on April 30, 2014 at 3:00 p.m. (local time) in the Strand/Tivoli Room, Metropolitan Conference Centre, 333-4th Avenue SW., Calgary, Alberta.

Shareholders are encouraged to attend and those unable to do so are requested to complete and submit the Instrument of Proxy at their earliest convenience.



HORIZON NORTH
Logistics Inc

President's Letter to Shareholders

At its onset, Horizon's 2013 fiscal year was not expected to continue the trend of rapid expansion set in the previous three years. However, results were more muted than originally anticipated and the year ended with a particularly weak fourth quarter. Revenue for the year increased by 5% over the prior year while EBITDAS and Earnings per Share decreased by 13% and 42%, respectively, from the record results achieved in 2012. As a result, bottom line performance as measured by return on invested capital declined to 15.8% in 2013 from 20.4% in 2012.

Commensurate with the reduced operating results, net capital spending was held to $63 million, a substantial reduction from the $130 million spent in 2012. Initial capital spending plans were lower than the program undertaken in 2012 in recognition of the fact that as a service provider, the organization's service delivery capabilities imbedded in our workforce and related support systems must match, or ideally be slightly ahead of, the growth of our asset base. The planned reduction in the capital program after the rapid expansion in 2012 was meant to provide time to further solidify our service delivery capabilities. Further capital spending restraint was implemented as the year progressed.

With that said, the macro environment for Horizon's businesses continues to be robust. Operator capital spending in the oil sands is forecast by many analysts to be $25 to $30 billion per year for the foreseeable future. LNG development prospects, both in Canada and the United States, hold promise for a significant enhancement of the economics of natural gas production in North America. The majority of this development activity in Western Canada takes place in remote locations which bodes well for Horizon's work force accommodation and matting businesses. This was evidenced most recently by our announcement in February 2014 of additional multi-year, full service workforce accommodation contracts, both of which were with new customers to the organization.

Maintaining a conservative balance sheet continues to be an important objective for Horizon, as is the continuation of the upward trend in our dividend distributions. The company's debt level declined substantially during the course of 2013, ending the year at $80 million compared to $118 million at December 31, 2012. The combination of a positive business outlook and a strong balance sheet lead to the Board of Directors increasing the company's dividend payment by 28% in early 2014. The quarterly dividend now sits at $0.08 per share or $0.32 per share on an annual basis.

As a service company, the foundation of Horizon's success has been, and will continue to be our employees. Our average employee count in 2013 was 1,749. A key element of our workforce management program is ensuring the safety of our employees at all of our work sites. I am very happy to report stellar results achieved by our safety programs in 2013. The Company's safety record, as measured by Total Recordable Incident Rate, continued its downward trend moving to 1.13 in 2013 compared to 2.77 in 2012 and 2.94 in 2011. Creating a safe work environment is an ongoing objective that we will diligently continue to pursue.

The capabilities embodied in Horizon's people, assets and financial strength place the Company among the leaders in our industry. We look forward to continuing to provide top tier service to our customers and building upon past successes for the benefit of all stakeholders.

Bob German
President and Chief Executive Officer
March 19, 2014

This Management's Discussion and Analysis ("MD&A"), prepared as at February 19, 2014, focuses on key statistics from the Consolidated Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. ("Horizon" or the "Corporation"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions.

Annual Financial Summary

	Years ended December 31				
(000's except per share amounts)	2013	% change	2012	% change	2011
Revenue	$ 554,387	5%	$ 526,616	31%	$ 402,993
EBITDAS[(1)]	126,334	(13%)	145,027	41%	102,636
EBITDAS as a % of revenue	23%		28%		25%
Operating earnings [(1)]	63,291	(38%)	102,758	45%	62,723
Operating earnings as a % of revenue	11%		20%		16%
Total profit	42,451	(42%)	72,883	63%	44,822
Total comprehensive income	42,637	(42%)	72,933	62%	44,980
Earnings per share – basic	$ 0.39	(42%)	$ 0.67	60%	$ 0.42
– diluted	0.38	(42%)	0.66	61%	0.41
Total assets	$ 471,115	(5%)	$ 495,993	39%	$ 357,137
Long-term loans and borrowings	78,256	(33%)	116,872	112%	55,234
Cash from operations	125,369	47%	85,036	3%	87,711
Capital spending					
Purchase of capital	90,146	(35%)	139,346	38%	101,034
Proceeds from capital disposals	(26,925)	205%	(8,831)	2%	(8,683)
Net capital spending	63,221	(52%)	130,515	41%	92,351
Debt to total capitalization ratio[(2)]	0.21	(30%)	0.30	43%	0.21
Dividends declared	$ 27,378		$ 21,662		$ 12,770
Dividends declared per share	$ 0.25		$ 0.20		$ 0.12

(1) EBITDAS (Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, impairment loss and share based compensation) and operating earnings (earnings before finance costs, taxes, impairment loss, and earnings on equity investments) are not recognized measures under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Operating earnings is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed or taxed. Horizon's method of calculating EBITDAS and operating earnings may differ from other entities and accordingly, may not be comparable to measures used by other entities. EBITDAS and operating earnings should not be construed as alternatives to total profit and total comprehensive income determined in accordance with IFRS as an indicator of the Corporation's performance. For a reconciliation of EBITDAS and operating earnings to total profit and total comprehensive income, please refer to page 3 of the Management's Discussion and Analysis.

(2) Debt to total capitalization is calculated as the ratio of debt to total capitalization. Debt is defined as the sum of current and long-term portions of loans and borrowings. Total capitalization is calculated as the sum of debt and shareholders' equity.

Overview

Horizon's 2013 results were mixed compared to 2012, while revenue increased year over year EBITDAS, operating earnings and earnings per share declined. The increase in revenue came from strong performance in the manufacturing sales operations, a result of a large camp sale project in the Alberta oil sands being manufactured and installed throughout 2013. This revenue strength was partially offset by weaker performance in the camp rental and catering operation primarily as a result of lower utilization in the open style camps, particularly in the second half of 2013. In addition, 2013 matting revenues were down compared to 2012 with weather being a significant factor contributing to reduced sales and rental volumes. The summer saw extremely wet ground conditions in a very short period of time which limited the ability to work and the fourth quarter was cold with a quick freeze up. These factors resulted in a significantly different revenue mix in 2013 compared to 2012 which had an impact on earnings.

EBITDAS decreased in 2013 compared to 2012 primarily as a result of the shift in revenue mix. The manufacturing sales operation typically contributes lower margins in comparison to camp rental and catering operations and matting operations. In 2013 manufacturing sales increased to 41% of total revenue compared to 30% in 2012, as a result of this shift in revenues EBITDAS decreased.

Operating earnings and earnings per share decreased in 2013 compared to the same period of 2012, driven by lower EBITDAS, higher depreciation costs and losses on disposal of plant, property and equipment. Increased depreciation was a result of the addition of camp assets and camp setup costs related to new camps added late in 2012 and throughout 2013. Camp setup costs are typically depreciated over the contract term which is a much shorter time frame than camp equipment. The loss on disposal of assets came mainly from the disposal of set-up costs related to the decommissioning of a large camp in the second quarter of 2013, disposal of the Corporation's blast resistant structures business and the sale of ancillary land in the fourth quarter of 2014. All of these factors contributed to decreased operational earnings for the year ended December 31, 2013 compared to the same period of 2012.

Outlook

After a very soft quarter to end 2013, activity levels have improved to start 2014. In the camp rental and catering business, activity levels are slightly ahead of where they were last year at this time. The matting business is also seeing rental and sales levels similar to last year at this time with increases expected as spring break-up approaches.

First quarter and early second quarter plant activity will be focused on manufacturing the capital equipment required to meet the needs of our recently announced, multi-year oil sands contract. Third party revenues during this period will be mainly generated by the continued on-site installation work being performed at a large camp sale project in the Fort McMurray, Alberta oil sands region. The manufacturing sales revenue stream is the most variable component of Horizon's operation. Manufacturing capacity is currently 45% booked for 2014. By comparison, at this point in 2013, 75% of Horizon's manufacturing capacity was booked for either third party sales or construction of contracted camps. Horizon anticipates visibility regarding the utilization of its manufacturing capacity for the second half of 2014 to continue to improve and is encouraged by a continued strong bidding pipeline that relates to oil sands projects and LNG development in British Columbia.

The macro fundamentals of the workforce accommodation and matting businesses continue to be sound. Oil sands investment is forecasted to be near $30 billion per year for the foreseeable future and Canada's LNG projects are progressing with reserve delineation drilling occurring in the north eastern British Columbia gas fields. Anticipated announcements pertaining to provincial LNG/natural gas tax structures should facilitate project proponents making final investment decisions on gas liquefaction plant construction.

Dividend payment

Horizon North Logistics Inc. announced today that its Board of Directors has declared a dividend for the first quarter of 2014 at $0.08 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2014 to be paid on April 15, 2014. The dividends are eligible dividends for Canadian tax purposes.

Annual Financial Results

(000's)	Year ended December 31, 2013 Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 496,594	$ 62,419	$ -	$ (4,626)	$ 554,387
Expenses					
Direct costs	369,940	43,657	-	(4,595)	409,002
Selling & administrative	5,677	1,002	12,372	-	19,051
EBITDAS	120,977	17,760	(12,372)	(31)	126,334
EBITDAS as a % of revenue	24%	28%		1%	23%
Share based compensation	1,143	168	897	-	2,208
Depreciation & amortization	46,197	8,112	583	(209)	54,683
Loss (gain) on disposal of property, plant and equipment	6,173	(21)	-	-	6,152
Operating earnings	$ 67,464	$ 9,501	$ (13,852)	$ 178	$ 63,291
Finance costs					3,822
Share of equity accounted investees					-
Income tax expense					17,018
Other comprehensive income					(186)
Total comprehensive income					$ 42,637
Earnings per share – basic					$ 0.39
– diluted					$ 0.38

(000's)	Year ended December 31, 2012 Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 447,190	$ 91,466	$ -	$ (12,040)	$ 526,616
Expenses					
Direct costs	307,443	68,252	-	(11,369)	364,326
Selling & administrative	5,518	588	11,157	-	17,263
EBITDAS	134,229	22,626	(11,157)	(671)	145,027
EBITDAS as a % of revenue	30%	25%		6%	28%
Share based compensation	1,096	172	883	-	2,151
Depreciation & amortization	31,713	8,179	482	(163)	40,211
Loss (gain) on disposal of property, plant and equipment	28	(108)	(13)	-	(93)
Operating earnings	$ 101,392	$ 14,383	$ (12,509)	$ (508)	$ 102,758
Finance costs					3,557
Share of equity accounted investees					529
Income tax expense					25,789
Other comprehensive income					(50)
Total comprehensive income					$ 72,933
Earnings per share – basic					$ 0.67
– diluted					$ 0.66

Camps & Catering

Camps & Catering revenue is comprised of camp rental and catering operations revenue, manufacturing sales revenue, space rental revenue and the associated service revenue within each operation.

(000's except bed rental days and catering only days)	Years ended December 31 2013	2012	% change
Camp rental and catering operations revenue	$ 257,820	$ 280,348	(8%)
Manufacturing sales	227,650	156,514	45%
Space rental	11,124	10,328	8%
Total revenue	$ 496,594	$ 447,190	11%
EBITDAS	$ 120,977	$ 134,229	(10%)
EBITDAS as % of revenue	24%	30%	
Operating earnings	$ 67,464	$ 101,392	(32%)
Bed rental days[(1)]	1,690,199	1,441,297	17%
Catering only days[(2)]	165,006	246,194	(33%)

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.

(2) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

Revenues from the Camps & Catering segment for the year ended December 31, 2013 were $496.6 million, an increase of $49.4 million or 11% from the comparative year. EBITDAS for the year ended December 31, 2013 were $121.0 million, a decrease of $13.3 million or 10% compared to the same period of 2012.

Horizon's revenues in the Camps & Catering segment continue to be driven by Alberta oil sands activity with 61% of revenues generated from oil sands compared to 63% in the same period of 2012. Additionally, natural gas exploration and development activities started to grow with Horizon increasing exposure through the last half of 2013. Of note in 2013 was the shift of revenue mix in the comparative periods with 2013 having a higher proportion of revenue generated from manufacturing sales compared to the same period of 2012, a result of Horizon executing a sale of a large camp manufacturing and installation project for a major oil sands operator throughout 2013. The impact of this shift is reflected in EBITDAS as a result of the different cost structures in the manufacturing sales operations compared to the camp rental and catering operations. Manufacturing sales operations typically contributes lower margins compared to the camp rental and catering business.

Camp rental and catering operations revenue

Revenues are derived from the following main business areas: large camp operations, drill camp operations, catering only operations, and the associated service work within each operation. Service work includes the transportation, set-up and de-mobilization of camp and catering projects.

The table below outlines the key performance metrics used by management to measure performance in the large camp and drill camp operations:

	Years ended December 31					
(000's for revenue only)	2013			2012		
	Large camp	Drill camp	Total	Large camp	Drill camp	Total
Revenue	$ 197,079	$ 20,105	$ 217,184	$ 211,853	$ 14,968	$ 226,821
Bed rental days[(1)]	1,574,231	115,968	1,690,199	1,358,043	83,254	1,441,297
Revenue per bed rental day	$125	$173	$128	$156	$180	$157
Number of rentable beds at period end	7,059	882	7,941	6,905	871	7,776
Average rentable beds available[(2)]	7,078	873	7,951	6,141	794	6,935
Utilization[(3)]	61%	36%	58%	60%	29%	57%

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.

(2) Average rentable beds available is equal to total average beds in the fleet over the period less beds required for staff.

(3) Utilization equals the total number of bed rental days divided by average rentable beds available in the period.

Revenues from large camp operations for the year ended December 31, 2013 decreased by $14.8 million or 7% compared to the same period in 2012. The decreased revenues were driven mainly by lower volumes at several of the open style camps.

Bed rental days increased by 216,188 days or 16% as bed utilization was up slightly to 61% on a larger fleet compared to the same period of 2012. Horizon added 682 rentable beds to the fleet in 2013 and disposed of 528 to close the year with growth of 154 rentable beds. The average rentable beds increased in 2013 by 937 compared to 2012, this increase is reflective of the timing of when beds were added or removed from the fleet during the year.

Revenue per bed rental day declined in the comparative periods by $31 or 20%. The majority of the rate decrease was related to the mix of contracts with a higher number of split rate contracts in 2013. Under the split rate contract beds are considered 100% utilized as the customer has contracted the beds and pays a separate rate for the catering and camp management services. The remainder of the decrease was due to slightly lower rates at the open style of camps.

Revenues from drill camp operations for the year ended December 31, 2013 increased by $5.1 million or 34% compared to the same period of 2012. In the comparative years, the increase was a result of higher utilization of Horizon's drill camps.

The table below outlines the key performance metrics used by management to measure performance in the catering only operations:

(000's for revenue only)	Years ended December 31 2013	2012
Catering only revenue	$ 17,692	$ 25,853
Catering only days[(1)]	165,006	246,194
Revenue per catering only day	$107	$105

(1) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

Revenues from the provision of catering and housekeeping only services, with no associated bed rentals, for the year ended December 31, 2013 decreased $8.2 million or 32% as compared to same period of 2012. The majority of the decrease in revenue was related to a catering only contract for a mine development project in Nunavut which ended in September of 2012. The remainder of the decrease was a result of lower volumes primarily in the catering only for customer owned drill camps. The revenue per catering only day increased due to the mix of contracts in the comparative years.

The table below outlines the service revenue generated from the camp and catering operations:

(000's)	Years ended December 31 2013	2012
Camp and catering operations service related revenue	$ 22,944	$ 27,674

Service revenues are related to the transportation, set-up and de-mobilization of relatively short term camps for customers. Revenues for the year ended December 31, 2013 decreased $4.8 million or 17% compared to the same periods in 2012. The decrease was mainly due to the timing of the specific service projects undertaken in the comparative periods.

Manufacturing sales

Manufacturing sales revenues include in-plant construction, transportation and installation of camps sold to third parties. Revenues for the year ended December 31, 2013 were $227.7 million, an increase of $71.2 million or 45% as compared to the same period of 2012. The increase in revenue for 2013 was a result of larger manufacturing projects, the timing of those projects and the project phase compared to the same period of 2012. Direct manufacturing hours for the year ended December 31, 2013 were 810,694 compared to 643,148 in the same period of 2012, an increase of 167,546 hours or 26%. This increase in direct hours was achieved by ramping up staffing levels at the existing production facilities later in 2012 and the first half of 2013. Of the total direct manufacturing hours, 58% were allocated to external sales projects as compared to 55% in the same period of 2012.

Space rental revenues

Space rental revenues increased $0.8 million for the year ended December 31, 2013 compared to 2012. The space rental fleet size and utilization was relatively consistent at 830 units and 81% for the comparative periods with the increased revenue a result of the mix of contracts in the comparative years.

Direct costs

Direct costs for the year ended December 31, 2013 were $369.9 million or 74% of revenue compared to $307.4 million or 69% of revenue for the same period of 2012. Direct costs are closely related to business volumes and the mix of operations within the business volumes. As a percentage of revenue, direct costs increased mainly due to the shift in revenue mix between camp rental and catering operations and manufacturing sales compared to same periods of 2012. In 2013, a larger proportion of revenue was derived from manufacturing sales operations which by its nature has higher direct costs than the camp rental and catering operations.

Matting

Matting revenue is comprised of access mat rental revenue, other mat and rental equipment revenue, mat sales revenue, installation, transportation, service, and other revenue as follows:

(000's except mat rental days and numbers of mats)	Years ended December 31, 2013	2012	% change
Access mat rental revenue[1]	$ 13,828	$ 17,556	(21%)
Other mat and rental equipment revenue[2]	2,969	3,707	(20%)
Total mat and rental equipment revenue	$ 16,797	$ 21,263	(21%)
Mat sales revenue	13,081	31,506	(58%)
Installation, transportation, service, and other revenue	32,541	38,697	(16%)
Total revenue	$ 62,419	$ 91,466	(32%)
EBITDAS	$ 17,760	$ 22,626	(22%)
EBITDAS as a % of revenue	28%	25%	
Operating earnings	$ 9,501	$ 14,383	(34%)
Access mat rental days – owned mats[3]	4,157,699	3,677,410	13%
Access mat rental days – third party mats[4]	1,653,828	2,537,743	(35%)
Total access mat rental days	5,811,527	6,215,153	(6%)
Average owned access mats in rental fleet[5]	17,057	13,812	23%
Average sub rental access mats in rental fleet[6]	4,521	9,216	(51%)
Owned access mats in rental fleet at year end[7]	16,392	13,714	20%
Mats sold:			
New mats	12,849	37,652	(66%)
Used Mats	6,818	6,189	10%
Total mats sold	19,667	43,841	(55%)

(1) Access mat rental revenue includes revenues generated from the rental of traditional oak and oak edged mats.
(2) Other mat and rental equipment revenue includes the rental of rig mats, quad mats and other ancillary equipment such as well site accommodation units and light towers.
(3) One mat rental day equals the rental of one owned access mat for one day.
(4) One mat rental day equals the rental of one third party sub rented access mat for one day.
(5) Average access mat rental fleet numbers reflect only owned access mats.
(6) Average sub rental access mats is the average number of non-owned access mats in the rental fleet. These mats are rented from third parties on a short term basis.
(7) Access mats in rental fleet at period end represents the number of owned access mats in the Matting fleet.

Revenues from the Matting segment for the year ended December 31, 2013 were $62.4 million, a decrease of $29.1 million or 32% compared to the same period of 2012. EBITDAS for the year ended December 31, 2013 were $17.8 million or 28% of revenue, a decrease of $4.8 million or 21% compared the same period of 2012.

The decrease in revenues year over year was a result of both moderate customer demand for mat sales throughout 2013 and lower mat rentals primarily a result of the extremely wet conditions in the second and third quarters of 2013.

Mat and rental equipment revenue

Access mat rental revenues for the year ended December 31, 2013 were $16.8 million, down $4.5 million or 21% compared to the same periods of 2012. Rental revenues decreased year over year as a result of decreased activity levels and lower revenue per mat rental day. Total mat rental days in the year ended December 31, 2013 decreased 403,626 or 6% compared to the same period of 2012 with extremely wet and flooded ground conditions in the second and third quarter and a quick freeze up in the fourth quarter being significant factors. Revenue per mat rental day was $2.38 in 2013 compared to $2.82 in 2012 due to the mix of contracts and competitive factors.

Utilization of the owned mat fleet for the year ended December 31, 2013 was 67% compared to 73% in the same periods of 2012. Compared to 2012, the 2013 decreased utilization was driven from both a larger owned mat rental fleet and lower activity levels.

Mat sales revenue

Revenues from mat sales for the year ended December 31, 2013 were $13.1 million, down $18.4 million or 58% compared to the same period of 2012. The decrease in revenue is reflective of moderating customer requirements and timing of projects. In comparison to 2012, the mix of mat sales shifted to a higher proportion of used mats in 2013 and as a result revenue per mat sale decreased due to the lower price point of used mats compared to new mats.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenues are driven primarily from the level of activity in the mat rental and mat sale businesses and are charged for separately from rentals and sales. Revenues for the year ended December 31, 2013 were $32.5 million, a decrease of $6.2 million or 16% compared to the same periods in 2012. The decrease in revenue was not as significant as the decrease in sales and rentals due to the offsetting effect of the customer owned mat management work. Currently, matting is managing 120,000 customer owned mats compared to 100,000 for the same period of 2012.

Direct costs

Direct costs for the year ended December 31, 2013 were $43.7 million or 70% of revenue compared to $68.3 million or 75% of revenue for the same period of 2012. Direct costs are driven by the level of business activity and with the decrease in mat sales and rental revenue compared to the same periods of 2012, direct costs have decreased accordingly. In addition, lower costs in the rental operation due to decreased usage of sub rented mats in comparison to the same periods of 2012.

Corporate

Corporate costs are the costs of the head office which include the President and Chief Executive Officer, Chief Financial Officer, Vice President of Health, Safety, and Environment, Vice President of Aboriginal Relations, Corporate Secretary, corporate accounting staff, information technology, and associated costs of supporting a public company. Corporate costs for the year ended December 31, 2013 were $12.4 million, an increase of $1.2 million or 11% compared to the same period in 2012. Corporate costs, as a percentage of total revenue, were relatively consistent at approximately 2.1% for the comparative years.

Other Items

Selling and administrative

Selling and administrative expenses for the year ended December 31, 2013 were $19.0 million, an increase of $1.8 million or 10% compared to the same period for 2012. As a percentage of revenue, selling and administrative expenses were 3.4% compared to 3.3% in 2012.

Depreciation and amortization

	Years ended December 31,		
(000's)	2013	2012	% change
Depreciation of property, plant and equipment	$ 47,623	$ 32,007	49%
Amortization of intangibles	7,060	8,204	(14%)
Total depreciation and amortization	$ 54,683	$ 40,211	36%

Depreciation and amortization costs for the year ended December 31, 2013 were $54.7 million, an increase of $14.5 million or 36% compared to the same period of 2012. The increased depreciation was mainly a result of camp asset additions in 2012 and during the year including camp set-up and installation costs which are depreciated over the term of the contract, generally a shorter time frame than the camp assets. Depreciation related to camp set-up and installation was $7.0 million higher in the year ended December 31, 2013 as compared to the same period of 2012 primarily as a result of camps added in last quarter of 2012 and throughout 2013.

Amortization costs related to customer relationships decreased $1.1 million or 50% as compared to the same period of 2012 as a portion of these assets have now been fully amortized.

Financing costs

Financing costs include interest on loans and borrowings and accretion of notes payable. For the year ended December 31, 2013 financing costs were $3.8 million, an increase of $0.2 million compared to 2012. The increase in financing costs was mainly a result of higher average debt levels in 2013, $93.2 million compared to $83.8 million in 2012. The effective interest rate on loans and borrowings for the year ended December 31, 2013 was 3.6%, consistent with the comparative year.

Income taxes

For the year ended December 31, 2013 income tax expense was $17.0 million, an effective tax rate of 28.6%, compared to $25.8 million, an effective tax rate of 26% in 2012. The decrease in income taxes expense was mainly a result of lower profit before taxes compared to 2012 while the full year effective rate increased slightly as a result of revisions to prior year tax estimates which flowed through the current period.

Gain/Loss on disposal

For the year ended December 31, 2013 Horizon recognized a loss on disposal of $6.2 million compared to a small gain in the comparative period of 2012. The loss on disposal of assets came mainly from the disposal of set-up costs related to the decommissioning of a large camp in the second quarter of 2013, disposal of the Corporation's blast resistant structures business and the sale of ancillary land in the fourth quarter of 2014.

Fourth Quarter Financial Summary

(000's except per share amounts)	Three months ended December 31 2013	2012	% Change
Revenue	$ 108,641	$ 138,558	(22%)
EBITDAS[1]	15,687	36,039	(56%)
EBITDAS as a % of revenue	14%	26%	
Operating earnings [1]	(1,607)	23,390	(107%)
Operating earnings as a % of revenue	(1%)	17%	
Total profit	(2,520)	15,991	(111%)
Total comprehensive income	(2,376)	15,959	(110%)
Earnings per share – basic	(0.02)	0.15	(111%)
– diluted	(0.02)	0.15	(111%)
Total assets	$ 471,115	$ 495,993	(5%)
Long-term loans and borrowings	78,256	116,872	(33%)
Cash from operations	28,726	26,334	9%
Capital spending			
Purchase of capital	34,883	23,378	57%
Proceeds from capital disposals	(3,493)	(3,428)	2%
Net capital spending	31,390	19,950	57%
Debt to total capitalization ratio[2]	0.21	0.30	(30%)
Dividends declared	$ 6,880	$ 5,439	
Dividends declared per share	$ 0.0625	$ 0.05	

(1) EBITDAS (Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, impairment loss and share based compensation) and operating earnings (earnings before finance costs, taxes, impairment loss, and earnings on equity investments) are not recognized measures under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Operating earnings is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed or taxed. Horizon's method of calculating EBITDAS and operating earnings may differ from other entities and accordingly, may not be comparable to measures used by other entities. EBITDAS and operating earnings should not be construed as alternatives to total profit and total comprehensive income determined in accordance with IFRS as an indicator of the Corporation's performance. For a reconciliation of EBITDAS and operating earnings to total profit and total comprehensive income, please refer to page 11 of the Management's Discussion and Analysis.

(2) Debt to total capitalization is calculated as the ratio of debt to total capitalization. Debt is defined as the sum of current and long-term portions of loans and borrowings. Total capitalization is calculated as the sum of debt and shareholders' equity.

Overview

Horizon's results for the fourth quarter of 2013 were below the comparable quarter of 2012 in all major categories, with revenues, EBITDAS, operating earnings and earnings per share lower. These reductions were driven by lower camp utilization mainly in the open style camps. In addition, matting operations experienced lower activity levels as customer demand for rentals, sales and the associated services decreased in conjunction with colder weather in the quarter.

EBITDAS in the fourth quarter of 2013 decreased compared to the same quarter of 2012 as a result of lower activity levels in the quarter and from maintaining core operating capabilities in the camp rental and catering operations in strategic areas which experienced lower utilization.

Operating earnings and earnings per share decreased in the three months ended December 31, 2013 compared to the same period of 2012 driven by lower EBITDAS, increased depreciation and a loss on disposal of assets. Depreciation increased primarily from the addition of camp set-up and installation costs related to camps added at the end of 2012 and during the year. The loss on disposal was related to the disposal of the Corporation's blast resistant structures business and the disposal of ancillary land in the quarter. All of these factors contributed to an operational loss of $1.6 million and a loss per share of $0.02.

Fourth Quarter Financial Results

	Three months ended December 31, 2013				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 97,827	$ 11,431	$ -	$ (617)	$ 108,641
Expenses					
Direct costs	80,496	8,213	-	(617)	88,092
Selling & administrative	1,426	182	3,254	-	4,862
EBITDAS	15,905	3,036	(3,254)	-	15,687
EBITDAS as a % of revenue	16%	27%			14%
Share based compensation	310	40	222	-	572
Depreciation & amortization	11,841	1,644	163	(53)	13,595
Loss on disposal of property, plant and equipment	3,127	-	-	-	3,127
Operating earnings (loss)	$ 627	$ 1,352	$ (3,639)	$ 53	$ (1,607)
Finance costs					786
Share of equity accounted investees					-
Income tax expense					127
Other comprehensive income					(144)
Total comprehensive loss					$ (2,376)
Earnings per share – basic					$ (0.02)
– diluted					$ (0.02)

	Three months ended December 31, 2012				
(000's)	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 117,214	$ 24,151	$ -	$ (2,807)	$ 138,558
Expenses					
Direct costs	81,691	18,752	-	(2,688)	97,755
Selling & administrative	1,728	196	2,840	-	4,764
EBITDAS	33,795	5,203	(2,840)	(119)	36,039
EBITDAS as a % of revenue	29%	22%		4%	26%
Share based compensation	379	55	291	-	725
Depreciation & amortization	9,867	2,122	122	(56)	12,055
Gain on disposal of property, plant and equipment	(38)	(80)	(13)	-	(131)
Operating earnings (loss)	$ 23,587	$ 3,106	$ (3,240)	$ (63)	$ 23,390
Finance costs					971
Share of equity accounted investees					504
Income tax expense					5,924
Other comprehensive loss					32
Total comprehensive income					$ 15,959
Earnings per share – basic					$ 0.15
– diluted					$ 0.15

Camps & Catering

Camps & Catering revenue is comprised of camp rental and catering operations revenue, manufacturing sales revenue, space rental revenue and the associated service revenue within each operation.

	Three months ended December 31		
(000's except bed rental days and catering only days)	2013	2012	% change
Camp rental and catering operations revenue	$ 55,138	$ 76,668	(28%)
Manufacturing sales	39,942	38,019	5%
Space rental	2,747	2,527	9%
Total revenue	$ 97,827	$ 117,214	(17%)
EBITDAS	$ 15,905	$ 33,795	(53%)
EBITDAS as % of revenue	16%	29%	
Operating earnings	$ 627	$ 23,587	(97%)
Bed rental days[(1)]	384,496	433,832	(11%)
Catering only days[(2)]	27,128	58,794	(54%)

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.

(2) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

Revenues from the Camps & Catering segment were $97.8 million for the three months ended December 31, 2013, a decrease of $19.4 million or 17% compared to the same period of 2012. EBITDAS for the three months ended December 31, 2013 were $15.9 million, a decrease of $17.9 million or 53% compared to the same period of 2012.

The decrease in revenue for the three months ended December 31, 2013 was attributable to lower levels of activity compared to the same period of 2012. The majority of the decline in activity was related to low utilization at several large open style camps as demand for beds in the area did not materialize as expected. Lower camp rental and catering operations revenue overshadowed the increased revenues in both manufacturing sales and space rentals.

Horizon's revenues in the Camps & Catering segment continue to be driven by Alberta oil sands activity with 61% of revenues generated from oil sands compared to 63% in the same period of 2012. Additionally, natural gas exploration and development activities started to grow with Horizon increasing its exposure through the last half of 2013.

Camp rental and catering operations revenue

Revenues are derived from the following main business areas: large camp operations, drill camp operations, catering only operations, and the associated service work within each operation. Service work includes the transportation, set-up and de-mobilization of camp and catering projects. Revenues from camp and catering operations were $55.1 million for the three months ended December 31, 2013 compared to $76.7 million for the three months ended December 31, 2012, a decrease of $21.6 million or 28%.

The table below outlines the key performance metrics used by management to measure performance in the large camp and drill camp operations:

	Three months ended December 31					
(000's for revenue only)	2013			2012		
	Large camp	Drill camp	Total	Large camp	Drill camp	Total
Revenue	$ 40,396	$ 3,570	$ 43,966	$ 59,718	$ 3,925	$ 63,643
Bed rental days[(1)]	362,986	21,510	384,496	410,456	23,376	433,832
Revenue per bed rental day	$111	$166	$114	$145	$168	$147
Rentable beds at period end	7,059	882	7,941	6,905	871	7,776
Average rentable beds available[(2)]	6,977	871	7,848	6,897	836	7,733
Utilization[(3)]	57%	27%	53%	65%	30%	61%

(1) One bed rental day represents the provision of one bed for one day under a combined rental and catering manday rate, or the provision of one bed for one day under an equipment rental rate for dedicated camp equipment.

(2) Average rentable beds available is equal to total average beds in the fleet over the period less beds required for staff.

(3) Utilization equals the total number of bed rental days divided by average rentable beds available in the quarter.

Revenues from large camp operations for the three months ended December 31, 2013 decreased $19.3 million or 32% compared to the same period in 2012. The decrease was primarily driven by lower volumes at several of the large open style camps.

Bed rental days in the fourth quarter of 2013 were 362,986, a decrease of 47,470 days or 12% compared to the same period of 2012. Bed utilization for the three months ended December 31, 2013 was 57%, down from 65% in the same period of 2012. This decrease was due to lower than anticipated volumes throughout the fourth quarter of 2013 at several larger open style camps and a larger fleet.

Revenue per bed rental day was $111, a decrease of $34 or 23% per bed day. This decrease is driven by the mix of contracts and a higher number of split rate contracts in place in the fourth quarter of 2013 as compared to the same period of 2012. Under the split rate contract beds are considered 100% utilized as the customer has contracted the beds and pays a separate rate for the catering and camp management services. The remainder of the decrease was due to slightly lower rates at the open style of camps.

Revenues from drill camp operations for the three months ended December 31, 2013 decreased by $0.3 million or 8% compared to the same period of 2012. Revenue decreased primarily as a result of lower volumes as there were fewer drill camps operating in the fourth quarter of 2013 compared to the same period of 2012.

The tables below outline the key performance metrics used by management to measure performance in the catering only operations:

	Three months ended December 31	
(000's for revenue only)	2013	2012
Catering only revenue	$ 3,364	$ 6,119
Catering only days[(1)]	27,128	58,794
Revenue per catering only day	$124	$104

(1) One catering only day equals the provision of catering and housekeeping services with no related bed rental for one day.

Revenues from the provision of catering and housekeeping only services, with no associated bed rentals, decreased $2.7 million or 44% for the three months ended December 31, 2013 as compared to same period of 2012. The decreased revenues were mainly a result of lower volumes in the catering only for customer owned drill camps. The increase in revenue per catering day was additional services requested by the customer and the mix of contracts compared to the same period of 2012.

The table below outlines the service revenue generated from the camp and catering operations:

	Three months ended December 31	
(000's)	2013	2012
Camp and catering operations service related revenue	$ 7,808	$ 6,906

Service revenues are related to the transportation, set-up and de-mobilization of relatively short term camps for customers. Revenue increased by $0.9 million or 13% primarily as a result of the timing of projects in the comparative quarter.

Manufacturing sales

Manufacturing sales revenues include the in-plant construction, transportation and installation of camps sold to third parties. Revenues for the three months ended December 31, 2013 were $39.9 million as compared to $38.0 million for the same period in 2012, an increase of $1.9 million or 5%.

Actual direct manufacturing hours were 192,300 hours for the three months ended December 31, 2013 as compared to 188,123 in the comparative period, an increase of 4,177 hours or 3%. Of total direct hours in the fourth quarter of 2013, 22% were allocated to external sales compared to 43% in the fourth quarter of 2012. While the majority of in-plant manufacturing capacity was focused on internal rental fleet build, which does not generate external revenue, installation activities in the quarter were focused on a large project for a major oil sands operator which more than offset this difference to result in similar revenue levels in the comparative quarters.

Manufacturing production capacity is regularly reviewed by management to determine the allocation of production required to meet external third party sales contracts and internal fleet requirements.

Space rental revenues

Space rental revenues for the three months ended December 31, 2013 were $2.7 million as compared to $2.5 million for the same period in 2012, an increase of $0.2 million or 8%. The increase in revenue was primarily generated by the mix of contracts in the comparative quarter with utilization relatively consistent quarter over quarter at 81%.

Direct costs

Direct costs for the three months ended December 31, 2013 were $80.5 million or 82% of revenue as compared to $81.7 million or 70% of revenue for the same period of 2012. Direct costs are closely related to business activities as well as the mix of those activities. The decrease in direct costs reflects the lower activity levels in the camp rental and catering operations. As a percentage of revenue, direct costs were 82% as compared to 70% in the same period of 2012 which reflects the difference in the mix of volumes with manufacturing making up 41% of revenue in the fourth quarter of 2013 compared to 32% in the same period of 2012.

Matting

Matting revenue is comprised of mat rental revenue, mat sales revenue, installation, transportation, service, and other revenue as follows:

	Three months ended December 31		
(000's except mat rental days and numbers of mats)	2013	2012	% change
Access mat rental revenue[(1)]	$ 3,027	$ 2,919	4%
Other mat and rental equipment revenue[(2)]	$ 868	$ 888	(2%)
Total mat and rental equipment revenue	$ 3,895	$ 3,807	2%
Mat sales revenue	2,124	10,893	(81%)
Installation, transportation, service, and other revenue	5,412	9,451	(43%)
Total revenue	$ 11,431	$ 24,151	(53%)
EBITDAS	$ 3,036	$ 5,203	(42%)
EBITDAS as a % of revenue	27%	22%	
Operating earnings	$ 1,352	$ 3,106	(56%)
Access mat rental days – owned mats[(3)]	877,053	777,350	13%
Access mat rental days – third party mats[(4)]	361,377	263,808	37%
Total access mat rental days	1,238,430	1,041,158	19%
Average owned access mats in rental fleet[(5)]	16,845	14,190	19%
Average sub rental access mats in rental fleet[(6)]	3,930	2,866	37%
Access mats in rental fleet at quarter end[(7)]	16,392	13,714	20%
Mats sold:			
New mats	494	13,910	(96%)
Used Mats	3,464	992	249%
Total mats sold	3,958	14,902	(73%)

(1) Access mat rental revenue includes revenues generated from the rental of traditional oak and oak edged mats.
(2) Other mat rental equipment revenue includes the rental of rig mats, quad mats and other ancillary equipment such as well site accommodation units and light towers.
(3) One mat rental day equals the rental of one owned access mat for one day.
(4) One mat rental day equals the rental of one third party sub rented access mat for one day.
(5) Average access mat rental fleet numbers reflect only owned access mats.
(6) Average sub rental access mats is the average number of non-owned access mats in the rental fleet. These mats are rented from third parties on a short term basis.
(7) Access mats in rental fleet at quarter end represents the number of owned access mats in the Matting fleet on December 31, 2013.

Revenues from the Matting segment for the three months ended December 31, 2013 were $11.4 million as compared to $24.2 million for the same period of 2012, a decrease of $12.7 million or 53%. EBITDAS for the three months ended December 31, 2013 were $3.0 million or 27% of revenue as compared to $5.2 million or 22% of revenue for the same period of 2012, a decrease of $2.2 million or 42%.

Mat and equipment rental revenue

Mat rental revenues remained consistent in the comparative quarters as increased activity levels were offset by lower revenues per mat rental day. Mat rental days in the three months ended December 31, 2013 increased by 197,272 or 19% compared to the same period of 2012. Utilization of the owned mat rental fleet was slightly lower at 57% in the fourth quarter of 2013 compared to 60% for the same period of 2012 due to the mix of third party mats deployed and the larger owned fleet size. Revenue per mat rental day was $2.44 for the three months ended December 31, 2013 compared to $2.80 for the same period of 2012 as a result of the mix of contracts in place and competitive factors.

Mat sales revenue

Revenues from mat sales for the three months ended December 31, 2013 were $2.1 million, down $8.8 million or 81% compared the same period of 2012. The decrease is reflective of moderating customer requirements driven by colder than expected weather which affected the timing of projects. The mix of new and used mats shifted with a higher proportion of used mats sales in the fourth quarter of 2013 compared to the same period of 2012. The change in sales mix decreased revenue per mat in the comparative quarters as used mats typically sell for less than new mats.

Installation, transportation, service, and other revenue

Installation, transportation, service, and other revenues are driven primarily from the level of activity in the mat rental and mat sale businesses and are charged for separately from rentals and sales. Revenues for the three months ended December 31, 2013 were $5.4 million, a decrease of $4.0 million or 43%. The decrease is mainly reflective of the lower activity levels in the fourth quarter of 2013 compared to the same period of 2012.

Direct costs

Direct costs for the three months ended December 31, 2013 were $8.2 million or 72% of revenue as compared to $18.8 million or 78% of revenue for the same period of 2012. Direct costs are driven by the level and mix of business activity and the large decrease in new mat sales drove direct costs significantly lower in the comparative quarters. Direct costs as a percentage of revenue decreased from 78% to 72% for the three months ended December 31, 2013 as compared the same period of 2012. The decrease is primarily a result of the mix of business activity in the comparative quarters, the fourth quarter of 2013 had significantly lower mat sales compared to 2012 and mat sales generally have higher material directs costs than rentals.

Corporate

Corporate costs are the costs of the head office which include the President and Chief Executive Officer, Chief Financial Officer, Vice President of Health, Safety, and Environment, Vice President of Aboriginal Relations, Corporate Secretary, corporate accounting staff, and associated costs of supporting a public company. Corporate costs for the three months ended December 31, 2013 were $3.3 million compared to $2.8 million in the same period in 2012. Corporate costs, as a percentage of total revenue, were 3.0% compared to 2.0% for the same period of 2012. The increased percentage is reflective of the lower revenue in the fourth quarter of 2013 compared to the same period of 2012.

Other Items

Selling and administrative

Selling and administrative expenses were $4.9 million for the three months ended December 31, 2013, relatively unchanged compared to the same quarter of 2012. As a percentage of revenue, selling and administrative expenses were 4.5% in 2013 compared to 3.4% in 2012 as a result of the lower revenue in the fourth quarter of 2013 compared to the same period of 2012.

Depreciation and amortization

	Three months ended December 31,		
(000's)	2013	2012	% change
Depreciation of property, plant and equipment	$ 12,688	$ 10,004	27%
Amortization of intangibles	907	2,051	(56%)
Total depreciation and amortization	$ 13,595	$ 12,055	13%

Depreciation and amortization costs for the three months ended December 31, 2013 were $13.6 million as compared to $12.1 million in the same period of 2012. Depreciation increased by $2.7 million or 27% in the comparative quarters primarily as a result of camp asset additions which include camp set-up and installation costs. Camp set-up and installation costs are depreciated over the term of the contract, generally a shorter time frame than the camp assets. Depreciation related to the camp set-up and installation was $2.0 million higher in the fourth quarter of 2013 as compared to the same period of 2012 due to a large camp set-up in the fourth quarter of 2013.

Amortization costs related to customer relationships decreased $1.1 million or 56% as compared to the same period of 2012 as a portion of these assets have now been fully amortized.

Financing costs

Financing costs include interest on loans and borrowings and accretion of notes payable. For the three months ended December 31, 2013 financing costs were $0.8 million as compared to $1.0 million in the same period of 2012, a decrease of $0.2 million as a result of lower average debt of $59.2 million for the three months ended December 31, 2013 compared to $105.1 million in the same period of 2012. The effective interest rate in the fourth quarter of 2013 was 3.6%, essentially unchanged from the comparative period of 2012.

Income taxes

Income tax expense was $0.1 million, an effective tax rate of 5%, for the three months ended December 31, 2013 as compared to a tax expense of $5.9 million, an effective rate of 27% for the same period of 2012. The tax expense and effective tax rate in the fourth quarter of 2013 was a result of the operating loss before tax.

Gain/Loss on disposal

For the three months ended December 31, 2013, Horizon incurred a loss on disposal of $3.2 million compared to a slight gain in the comparative period of 2012. The loss on disposal was related to the disposal of the Corporation's blast resistant structures business and the disposal of ancillary land in the quarter.

Liquidity and Capital Resources

The Corporation's working capital position and borrowing capacity are set out below:

(000's)	December 31, 2013	December 31, 2012
Current assets	$ 113,608	$ 149,166
Current liabilities excluding loans and borrowings[(1)]	60,408	72,760
Current portion of loans and borrowings	1,496	1,416
Current liabilities	61,904	74,176
Working capital[(2)]	$ 51,704	$ 74,990
Bank borrowing:		
Available bank lines	$ 150,000	$ 150,000
Drawings on credit facility	70,756	108,247
Borrowing capacity[(3)]	$ 79,244	$ 41,753

(1) Calculated as the sum of trade and other payables, deferred revenue and income taxes payable.
(2) Calculated as current assets less current liabilities.
(3) Calculated as available bank lines less drawings on credit facility.

Working capital at December 31, 2013 was $51.7 million as compared to $75.0 million at December 31, 2012, a decrease of $23.3 million. The change in working capital was primarily due to a significant improvement in accounts receivable balances in combination with softer revenue in the three months ended December 31, 2013 as compared to the same period of 2012.

On November 6, 2013, the Corporation's current credit facility of $150,000,000 was renewed for a term of 3 years. The credit facility is extendable annually at the Corporation's request subject to lender approval. The committed credit facility is secured by a $300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 0.625%. Amounts borrowed under the facility become due on October 26, 2016, the maturity date of the facility.

At December 31, 2013 the Corporation was in compliance with its debt covenants as shown below:

Debt Covenants	December 31, 2013
Debt [(1)] to EBITDAS [(2)(3)] – must be less than 2.0:1	0.6:1
Interest coverage[(4)] – must be greater than 3.0:1	37.3:1

(1) Debt is calculated as the sum of current and long-term portions of loans and borrowings.

*(2) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities. For a reconciliation of EBITDAS to net earnings, please refer to page **3** of the Management's Discussion and Analysis.*

(3) Debt to EBITDAS is calculated as the ratio of Debt to trailing 12 months EBITDAS.

(4) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

Capital Spending

During the year ended December 31, 2013, the Corporation spent $90.1 million on capital asset additions as compared to $139.3 million in the same period of 2012. Capital spending was concentrated on rental fleet expansion and replacement to meet demand in the Camps & Catering segment in addition to moderate maintenance capital. Management evaluates and manages its capital spending plans taking into account proceeds from disposals for year of $26.9 million, resulting in net capital spending for the year ended December 31, 2013 of $63.2 million.

Quarterly Summary of Results

	Three months ended				Year ended
(000's except per share amounts)	March 2013	June 2013	September 2013	December 2013	December 2013
Revenue	$ 139,959	$ 148,426	$ 157,361	$ 108,641	$ 554,387
EBITDAS	36,633	32,708	41,306	15,687	126,334
Operating earnings (loss)	23,209	14,257	27,432	(1,607)	63,291
Total profit (loss)	16,509	10,123	18,339	(2,520)	42,451
Total comprehensive income	16,384	9,986	18,643	(2,376)	42,637
Earnings (loss) per share – basic	$ 0.15	$ 0.09	$ 0.17	$ (0.02)	$ 0.39
Earnings (loss) per share – diluted	$ 0.15	$ 0.09	$ 0.17	$ (0.02)	$ 0.38

	Three months ended				Year ended
(000's except per share amounts)	March 2012	June 2012	September 2012	December 2012	December 2012
Revenue	$ 128,597	$ 139,551	$ 119,910	$ 138,558	$ 526,616
EBITDAS	34,445	40,463	34,080	36,039	145,027
Operating earnings	26,080	30,056	23,232	23,390	102,758
Total profit	18,861	21,769	16,262	15,102	72,883
Total comprehensive income	18,792	21,854	16,328	15,969	72,933
Earnings per share – basic	$ 0.18	$ 0.20	$ 0.15	$ 0.15	$ 0.67
Earnings per share – diluted	$ 0.17	$ 0.20	$ 0.15	$ 0.15	$ 0.66

As a company providing services to the resource sector, Horizon's performance is highly correlated to activity levels in that sector which are sensitive to the price of oil and minerals. Over the previous eight quarters the price of oil and minerals has had some variability and these fluctuations have flowed into Horizon's results for 2012 and 2013. Throughout the last eight quarters Horizon continued to expand its manufacturing capacity and invest in fleet capital to take advantage of the activity levels particularly in the Alberta oil sands area.

Risks and Uncertainties

Volatility of Oil, Natural Gas and Mining Industry Conditions

The demand, pricing and terms for Horizon's Camps & Catering and Matting segments depend upon the level of industry activity for oil, natural gas and mineral exploration and development in the western Canadian provinces and northern territories. Industry conditions are influenced by numerous factors over which Horizon has no control, including: the level of oil and natural gas and mineral prices; expectations about future oil and natural gas and mineral prices; the cost of exploring for, producing and delivering oil and natural gas and minerals; the expected rates of declining current production; the discovery rates of new oil and natural gas and mineral reserves; available pipeline and other oil and natural gas transportation capacity; demand for oil, natural gas and minerals; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and natural gas and mining companies to raise equity capital or debt financing for exploration and development work.

Current global economic events and uncertainty have the potential to significantly impact commodity pricing and, as such, change the economic feasibility of industry development projects. No assurance can be given that expected trends in oil and natural gas and mineral production activities will continue or that demand for services provided by Horizon will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas and mineral prices would likely affect activity levels in these industries and therefore affect the demand for the services provided by Horizon.

Competition

Horizon provides Camps & Catering and Matting Services primarily to oil and natural gas and mineral exploration and production companies in the western Canadian provinces and northern territories. The service businesses in which Horizon operates are highly competitive. To be successful, Horizon has to provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which Horizon operates are service, quality, availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, safety records and ongoing safety programs and price. Horizon competes with several competitors that are both smaller and larger than it is. These competitors offer similar services in all geographic areas in which Horizon operates. As a result of competition, Horizon's business, financial condition and results of operations could be adversely affected.

Reduced levels of activity in the oil and natural gas and mining industries can intensify competition and result in lower revenue to Horizon. Variations in the exploration and development budgets of oil and natural gas and mining companies, which are directly affected by fluctuations in energy prices and mineral prices, the cyclical nature and competitiveness of the oil and natural gas and mining industries and governmental regulation, will have an effect upon Horizon's ability to generate revenue and earnings.

Credit Risk

A substantial portion of Horizon's trade and other accounts receivable are with customers involved in the oil and natural gas and mining industries, whose revenues may be impacted by fluctuations in commodity prices. Collection of these receivables could be influenced by economic factors affecting the oil and natural gas and mining industries.

Additional Funding Requirements

Horizon's cash flow may not be sufficient to fund its ongoing activities at all times. From time to time, Horizon may require additional financing. Failure to obtain such financing on a timely basis could cause Horizon to miss certain acquisition opportunities or prevent further growth of its operations. If Horizon's revenues decrease, it will affect Horizon's ability to expend the necessary capital to maintain its operations. If Horizon's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Horizon.

Labour Relations

The largest component of Horizon's overall expenses is salaries, wages, benefits and payments to employees, agents and contractors. Any significant increase in these expenses could impact the financial results of Horizon. In addition, Horizon will be at risk if there are any labour disruptions. Horizon believes that it has and will continue to foster a positive relationship with employees, agents and contractors.

Agreements and Contracts

The business operations of Horizon depend on successful execution of performance-based contracts. The key factors which will determine whether a client will continue to use Horizon will be service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, safety record and ongoing safety programs and competitive price. There can be no assurance that Horizon's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Horizon's business, financial condition and results of operations.

Significant Customers

The Corporation had one major customer in 2013 which was in the Camps & Catering segment and generated 24% of total revenues. This compares to two different major customers in 2012 who generated 37% of total revenue. There can be no assurance that Horizon's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Horizon's business, financial condition and results of operations.

Reliance on Key Personnel

Horizon's success depends in large measure on certain key personnel. The loss of services of such key personnel could have a material adverse effect on Horizon. Horizon does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of Horizon are likely to be of central importance. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Horizon.

Camp Permits

In most cases, permits issued by government agencies are required to set up and operate remote work camp facilities. The issuance of permits is dependent upon water and waste treatment alternatives available, road traffic volumes and fire conditions in forested areas. Failure to receive or renew permits could have a negative impact on the business of the Camps & Catering segment.

Government Regulation

The operations of Horizon are subject to a variety of federal, provincial and local laws of Canada, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Horizon invests financial and managerial resources to ensure such compliance. Although such expenditures are generally not material to service providers, such laws or regulations are subject to change. Accordingly, it is impossible for Horizon to predict the cost or impact of such laws and regulations on its future operations.

Environmental Regulation

The Government of Canada and provincial governments in areas where Horizon does business have been working through various forms of regulation and legislation focused on climate change and greenhouse gas emissions. Future federal legislation, together with provincial emission reduction requirements may require the reduction of emissions or emissions intensity from Horizon's operations and facilities and those of its customers. A number of Horizon's customers are involved in the oil and gas exploration and development industry, with specific focus on oil sands related projects. Focus and scrutiny has recently intensified on oil sands development, which could lead to incremental environmental regulation or legislation.

Potential changes in requirements may result in increased operating costs and capital expenditures for oil and gas and mining industry participants, thereby delaying or decreasing the demand for Horizon's services.

Management is unable to predict the impact of potential emissions targets and it is possible that changes could adversely affect Horizon's business, financial condition and results of operations. These regulations would likely result in higher operating costs for our customers in the region, putting further pressure on project economics, and may also impair Horizon's ability to provide its services economically.

Aboriginal Relationships

A component of Horizon's business strategy is based on developing and maintaining positive relationships with the aboriginal people and communities in the areas where Horizon operates. These relationships are important to Horizon's operations and customers who desire to work on traditional aboriginal lands. The inability to develop and maintain relationships and to be in compliance with local requirements could adversely affect Horizon's business strategy, growth and profitability.

Seasonal Operations

Each of Horizon's businesses has slightly different seasonal aspects. Certain segments of the Camps & Catering division are exposed to the seasonality of the western Canadian oil and natural gas drilling industry where the busiest months are January through March and the slowest months are April through September. However, seasonality has been significantly reduced due to increased exposure in the oil sands and mining sectors, which operate year round. The Matting segment is typically busiest in the spring and summer months of April through September when soft ground conditions hinder the movement of heavy equipment.

Other Risks

Due to the nature of Horizon's business, it is subject to a number of regulations, environmental laws and risks associated with lawsuits arising from accidents and claims. Horizon manages these risks through a combination of quality management, training and by securing insurance coverage to protect the assets of Horizon in the event of litigation.

Changes in Accounting Policies

As at January 1, 2013, the Company changed certain accounting policies as a result of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, as well as the consequential amendment to IAS 28 Investments in Associates and Joint Ventures (2011), IFRS 13 Fair Value Measurement and IFRS 7 Amendments to Financial Instrument Disclosures. The adoption of these standards had no impact on the amounts recorded in the financial statements as at January 1, 2013.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements. The Corporation intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The Corporation does not expect the amendments to have a material impact on the financial statements.

Critical Accounting Estimates

This Management's Discussion and Analysis of the Corporation's financial condition and results of operations is based on its consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS). The presentation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of provisions at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates and judgments are based on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Anticipating future events cannot be done with certainty, therefore these estimates may change as new events occur, more experience is acquired and as the Corporation's operating environment changes.

The accounting estimates believed to be the most difficult, subjective or complex judgments and which are the most critical to the reporting of results of operations and financial positions are as follows:

Revenue recognition

The Corporation uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method requires estimates of the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the accounting policy set out in the notes to the consolidated financial statements.

Asset Retirement Obligations

Asset Retirement Obligation ("ARO") – The Corporation recognizes an asset retirement obligation to account for future demobilisation and reclamation of specific camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized, in accordance with the accounting policy set out in the notes to the consolidated financial statements.

Financial Instruments and Risk Management

(a) Overview

The Corporation is exposed to a number of different financial risks arising from normal course business operations as well as through the Corporation's financial instruments comprised of: cash and cash equivalents, trade and other receivables, trade and other payables, and long-term loans and borrowings. These risk factors include credit risk, liquidity risk, and market risk including currency exchange risk and interest rate risk.

The Corporation's risk management practices include identifying, analyzing and monitoring the risks faced by the Corporation. The following presents information about the Corporation's exposure to each of the risks and the Corporation's objectives, policies and processes for measuring and managing risk.

(b) Credit risk

Credit risk is the risk that a customer will be unable to pay amounts due causing a financial loss. The Corporation's practice is to manage credit risk by examining each new customer individually for credit worthiness before the Corporation's standard payment terms are offered. The Corporation's review may include financial statement review, credit references, or bank references. Customers that lack credit worthiness transact with the Corporation on a prepayment only basis.

The Corporation constantly monitors individual customer trade receivables, taking into consideration industry, aging profile, maturity, payment history and existence of previous financial difficulties in assessing credit risk. A formal review is performed each month for each subsidiary, focusing on amounts which have been outstanding for periods which are considered abnormal for each customer. The Corporation establishes an allowance for doubtful accounts for specifically identifiable customer balances which are assessed to have credit risk exposure.

The following shows the aged balances of trade and other receivables:

(000's)	December 31, 2013	December 31, 2012
Neither impaired nor past due	$ 29,370	$ 44,337
Impaired	65	495
Outstanding 31-60 days	15,826	38,313
Outstanding 61-90 days	4,001	16,800
Outstanding more than 90 days	2,073	13,126
Total	51,335	113,071
Allowance for doubtful accounts	(65)	(495)
Accrued revenue	38,659	19,439
Other receivables	927	1,180
Total trade and other receivables	$ 90,856	$ 133,195

In the twelve months ended December 31, 2013, the Corporation provided an allowance for $368,000 of receivables aged greater than 90 days and collected $218,000 that had previously been allowed for. The Corporation also applied $580,000 of allowance for doubtful accounts against the associated receivable balance. As at February 19, 2014, the Corporation has collected $1,216,000 on amounts outstanding more than 90 days.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation believes that it has access to sufficient capital through internally generated cash flows and committed credit facilities to meet current spending forecasts.

To manage liquidity risk, the Corporation forecasts operational results and capital spending on a regular basis. Actual results are compared to these forecasts to monitor the Corporation's ability to continue to meet spending forecasts.

The following shows the timing of cash outflows relating to trade and other payables and loans and borrowings:

	December 31, 2013		December 31, 2012	
	Trade and other payables[(1)]	Loans and borrowings[(2)]	Trade and other payables[(1)]	Loans and borrowings[(2)]
Year 1	$ 56,961	$ 1,496	$ 72,172	$ 1,416
Year 2	-	7,500	-	1,543
Year 3	-	70,756	-	115,329
Year 4	-	-	-	-
Year 5 and beyond	5,656	-	1,364	-
	$ 62,617	$ 79,752	$ 73,536	$ 118,288

(1) Trade and other payables include trade and other payables, income taxes payable, and provisions.

(2) Loans and borrowings include non-interest bearing notes payable and Horizon's senior secured revolving term facility. Cash flows of Horizon's note payable have been recorded according to estimated utilization of specific equipment.

(d) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on future performance of the Corporation. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities and expected future cash flows include foreign currency exchange risk and interest rate risk. As the Corporation's exposure to foreign currency exchange risk and interest rate risk is limited, the Corporation does not currently hedge its financial instruments.

(i) Foreign currency exchange risk

The Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in CAD. The Corporation's exposure to foreign currency exchange risk arises from the purchase of some raw materials in the matting segment which are denominated in USD.

As the foreign currency exchange risks are primarily based on realized foreign exchange differences, the following sensitivity analysis is to determine the impact on cash generated in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash generated in operating activities for the year ended December 31, 2013 by approximately $182,500 (December 31, 2012 - $261,000). This assumes that the quantity of USD purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 1.00%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $933,500 for the year ended December 31, 2013 (December 31, 2012 – $841,000). This assumes that the amount and mix of fixed and floating rate debt in the year ended December 31, 2013 remains unchanged and that the change in interest rates is effective from the beginning of the year.

Outstanding Shares

Horizon had 110,084,884 voting common shares issued and outstanding with a book value of $183,851,000 or $1.67 per share as at December 31, 2013.

Off Balance Sheet Financing

Horizon has no off balance sheet financing.

Management's Report on Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls & Procedures

Disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at December 31, 2013, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the design and operation of Horizon's DC&P as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on this evaluation, the CEO and CFO have concluded that, as at December 31, 2013 Horizon's DC&P, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Throughout 2013, Horizon focused on continuous improvement and improved execution of its DC&P. Horizon will continue to evaluate its DC&P making modifications from time-to-time as deemed necessary. There were no changes in Horizon's DC&P that occurred during the period ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, Horizon's DC&P.

Internal Controls over Financial Reporting

Internal controls over financial reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate ICFR.

Horizon's ICFR include, but are not limited to, policies and procedures addressing:

- the maintenance of records that provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS;
- receipts and expenditures are being made only in accordance with authorizations of management and directors;
- maintenance of records in reasonable detail to accurately and fairly reflect transactions and disposition of assets; and
- the reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on annual and interim consolidated financial statements.

Because of inherent limitations, ICFR can only provide reasonable assurance and may not prevent or detect all misstatements. Additionally, projections of an evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As at December 31, 2013, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of Horizon's ICFR based on the framework and criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this evaluation, management concluded that the design and operating effectiveness of Horizon's ICFR was effective as of December 31, 2013.

Throughout 2013 Horizon focused on continuous improvement and improved execution of its ICFR. Horizon will continue to evaluate its ICFR making modifications from time-to-time as deemed necessary. There were no changes in Horizon's ICFR that occurred during the period ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, Horizon's ICFR.

Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

Related parties

All related party transactions in the normal course of operations have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties. All outstanding balances are to be settled with cash, and none of the balances are secured.

(000's)	December 31, 2013	December 31, 2012
Equity accounted investees		
Purchases	$ -	$ 2
Sales	164	1,211
Recovery of administrative overhead	-	-
Included in accounts receivable	505	164
Joint venture		
Purchases	$ -	$ -
Sales	-	8
Recovery of administrative overhead	30	30
Included in accounts receivable	-	-
Key management personnel interests		
Purchases	$ -	$ (17)
Sales	947	1,261
Included in accounts receivable	395	271
Included in accounts payable	-	-

Key management personnel include the directors and officers of Horizon that are also directors or officers of other companies. All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties. All outstanding balances are to be settled with cash, and none of the balances are secured.

Advisories

This Management's Discussion and Analysis, prepared as at February 19, 2014 focuses on key statistics from the Condensed Consolidated Interim Financial Statements and pertains to known risks and uncertainties relating to the business carried on by Horizon North Logistics Inc. (the "Corporation" or "Horizon"). This discussion should not be considered all-inclusive, as it does not attempt to include changes that may occur in general economic, political and environmental conditions. Additional information related to the Corporation, including the Corporation's annual information form, is available on SEDAR at www.sedar.com. Unless otherwise indicated, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

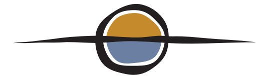
Caution Regarding Forward-Looking Information and Statements

Certain statements contained in this Management Discussion and Analysis ("MD&A") constitute forward-looking statements or information. These statements relate to future events or future performance of Horizon. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan" "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions are intended to identify forward-looking statements.

In particular, such forward looking statements include: under the heading "Outlook" the statements that "After a very soft quarter to end 2013, activity levels have improved to start 2014. In the camp rental and catering business, activity levels are slightly ahead of where they were last year at this time. The matting business is also seeing rental and sales levels similar to last year at this time with increases expected as spring break up approaches", "The manufacturing sales revenue stream is typically the most variable component of Horizon's operation, with manufacturing capacity currently 45% booked for 2014. By comparison, at this point in 2013 75% of Horizon's manufacturing capacity was under contract. Horizon expects visibility regarding its manufacturing capacity for the second half of 2014 to continue to improve and is encouraged by a continued strong bidding pipeline that relates to oil sands projects, infrastructure projects and LNG development in British Columbia" and "The macro fundamentals of the workforce accommodation and matting businesses continue to be sound. Oil sands investment is forecasted to be near $30 billion per year for the foreseeable future and Canada's LNG projects are progressing with reserve delineation drilling occurring in the north eastern British Columbia gas fields. Anticipated announcements pertaining to provincial LNG/natural gas tax structures should facilitate project proponents making final investment decisions on gas liquefaction plant construction."

The foregoing statements are based on the assumption that oil sands development in Alberta and other resource development in western Canada will strengthen. Many factors could cause the performance or achievements of Horizon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

These include, but are not limited to, general economic, market and business conditions. Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Additional information on these and other risk factors that could affect Horizon's operations and financial results are included in Horizon's annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements and information contained in this MD&A are made as of the date hereof and Horizon does not undertake any obligation to update publicly or revise and forward-looking statements and information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.



Management's Report to Shareholders

The accompanying consolidated financial statements of Horizon North Logistics Inc. ("Horizon" or the "Corporation") have been approved by the Board of Directors (the "Board") of Horizon and have been prepared by management in accordance with International Financial Reporting Standards. Financial statements will, by necessity, include certain amounts based on estimates and judgments. The financial information contained throughout this report has been reviewed to ensure consistency with these consolidated financial statements.

Management has overall responsibility for internal controls and maintains accounting systems designed to provide reasonable assurance that transactions are properly authorized, assets safeguarded and that the financial records form a reliable base for the preparation of accurate and timely financial information. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting and have concluded that they are effective.

The Board oversees the management of the business and affairs of Horizon; including ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee, which consists of three independent directors. The Audit Committee has reviewed the consolidated financial statements with management and the external auditor.

An independent firm of chartered accountants, appointed as external auditor by the shareholders, has audited the consolidated financial statements and its report is included herein.

Bob German
President and
Chief Executive Officer

Scott Matson
Vice President Finance and
Chief Financial Officer

March 19, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizon North Logistics Inc.

We have audited the accompanying consolidated financial statements of Horizon North Logistics Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising 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 our 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, we 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.

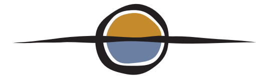
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Horizon North Logistics Inc. as at December 31, 2013 and December31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Calgary, Canada
February 19, 2014



Consolidated statement of financial position

(000's)	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Trade and other receivables (Note 11)	90,856	133,195
Inventories (Note 12)	15,638	13,321
Prepayments	3,000	2,506
Income taxes receivable	4,114	146
	113,608	149,168
Non-current assets:		
Property, plant and equipment (Note 13)	349,252	330,205
Intangible assets (Note 14)	2,968	10,028
Goodwill (Note 14)	1,664	2,136
Deferred tax assets (Note 18)	1,067	1,772
Other assets (Note 15)	2,556	2,684
	357,507	346,825
	$ 471,115	$ 495,993
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	56,677	59,511
Deferred revenue	3,447	588
Income taxes payable	284	12,661
Current portion of loans and borrowings (Note 16)	1,496	1,416
	61,904	74,176
Non-current liabilities:		
Asset retirement obligations (Note 17)	5,656	1,364
Loans and borrowings (Note 16)	78,256	116,872
Deferred tax liabilities (Note 18)	30,872	29,318
	176,688	221,730
Shareholders' equity:		
Share capital (Note 19)	183,851	179,999
Contributed surplus	11,836	10,783
Accumulated other comprehensive income	394	208
Retained earnings	98,346	83,273
	294,427	274,263
	$ 471,115	$ 495,993

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

Ann Rooney
Director

Bob German
Director

Consolidated statement of comprehensive income
Twelve months ended December 31, 2013 and 2012

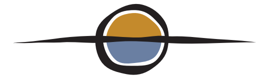
(000's except per share amounts)	December 31, 2013	December 31, 2012
Revenue (Note 5)	$ 554,387	$ 526,616
Operating expenses:		
Direct costs (Note 6)	409,007	364,361
Depreciation (Note 13)	47,623	32,007
Share based compensation	1,311	1,268
Loss (gain) on disposal of property, plant and equipment	6,152	(93)
Direct operating expenses (Note 6)	464,093	397,543
Gross profit	90,294	129,073
Selling & administrative expenses:		
Selling & administrative expenses (Note 7)	19,046	17,228
Amortization of intangible assets (Note 14)	7,060	8,204
Share based compensation (Note 19)	897	883
Selling & administrative expenses (Note 7)	27,003	26,315
Operating earnings	63,291	102,758
Finance costs (Note 9)	3,822	3,557
Share of equity accounted investees	-	529
Profit before tax	59,469	98,672
Current tax expense	14,759	19,862
Deferred tax expense (Note 18)	2,259	5,927
Income tax expense (Note 10)	17,018	25,789
Total profit	42,451	72,883
Other comprehensive income:		
Translation of foreign operations	186	50
Other comprehensive income, net of income tax	186	50
Total comprehensive income	$ 42,637	$ 72,933
Earnings per share:		
Basic (Note 20)	$ 0.39	$ 0.67
Diluted (Note 20)	$ 0.38	$ 0.66

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

Consolidated statement of changes in equity

(000's)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 2011	$ 173,438	$ 10,421	$ 158	$ 32,052	$ 216,069
Total profit	-	-	-	72,883	72,883
Share based compensation (Note 19)	-	2,151	-	-	2,151
Share options exercised (Note 19)	6,561	(1,789)	-	-	4,772
Translation of foreign operations	-	-	50	-	50
Dividends declared and paid ($0.15 per share)	-	-	-	(16,223)	(16,223)
Dividends declared ($0.05 per share)	-	-	-	(5,439)	(5,439)
Balance at December 31, 2012	$ 179,999	$ 10,783	$ 208	$ 83,273	$ 274,263
Total profit	-	-	-	42,451	42,451
Share based compensation (Note 19)	-	2,208	-	-	2,208
Share options exercised (Note 19)	3,852	(1,155)	-	-	2,697
Translation of foreign operations	-	-	186	-	186
Dividends declared and paid ($0.1875 per share)	-	-	-	(20,498)	(20,498)
Dividends declared ($0.0625 per share)	-	-	-	(6,880)	(6,880)
Balance at December 31, 2013	$ 183,851	$ 11,836	$ 394	$ 98,346	$ 294,427

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



Consolidated statement of cash flows
Twelve months ended December 31, 2013 and 2012

(000's)	December 31, 2013	December 31, 2012
Cash provided by (used in):		
Operating activities:		
Profit for the period	$ 42,451	$ 72,883
Adjustments for:		
Depreciation (Note 13)	47,623	32,007
Amortization of intangible assets (Note 14)	7,060	8,204
Share based compensation (Note 19)	2,208	2,151
Amortization of other assets	128	127
Share of equity accounted investees	-	529
Loss (gain) on sale of property, plant and equipment	1,384	(2,924)
Unrealized foreign exchange	55	85
Finance costs (Note 9)	3,822	3,557
Income tax expense (Note 10)	17,018	25,789
	121,749	142,408
Income taxes paid	(31,104)	(11,727)
Interest paid	(3,412)	(2,904)
Changes in non-cash working capital items (Note 25)	38,136	(42,741)
	125,369	85,036
Investing activities:		
Purchase of property, plant and equipment (Note 13)	(90,146)	(139,346)
Proceeds on sale of property, plant and equipment	26,925	8,831
	(63,221)	(130,515)
Financing activities:		
Proceeds from shares issued on exercise of options	2,697	4,772
Net proceeds from loans and borrowings	(38,907)	61,200
Payment of dividends	(25,938)	(20,493)
	(62,148)	45,479
Change in cash position	-	-
Cash, beginning of period	-	-
Cash, end of period	$ -	$ -

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

1. Reporting Entity

Horizon North Logistics Inc. ("Horizon" or the "Corporation") is a company registered and domiciled in Canada and is a publicly-traded company, listed on the Toronto Stock Exchange under the symbol HNL. The Corporation's registered offices are at 1600, 505 – 3rd Street SW, Calgary, AB T2P 3E6. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2013 comprise the Corporation and its subsidiaries and the Corporation's interest in associates and jointly controlled entities. Horizon provides camp & catering services and ground matting services to oil and gas exploration and production companies, oilfield service companies and mining companies working on oil sands, mineral exploration and development, and conventional oil and gas projects primarily in western Canada.

2. Basis of Presentation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were authorized for issue by the Board of Directors on February 19th, 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared using the historical cost basis. Certain prior period amounts have been amended to conform to current period presentation.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's and subsidiaries functional currency with the exception of United States ("US") operations which have a US dollar functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates.

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

The judgements, estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are as follows:

Estimates

- Revenue Recognition Estimate – The Corporation uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method requires estimates of the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the accounting policy set out in Note 3(j)(iv).
- Asset Retirement Obligation ("ARO") – The Corporation recognizes an asset retirement obligation to account for future demobilisation and reclamation of specific camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized, in accordance with the accounting policy set out in Note 3(i).

Judgements

- Impairment - The Corporation is required to make a judgement for the need for impairment at each reporting date by evaluating conditions specific to the organization that may lead to impairment of assets.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned then with the policies adopted by the Corporation. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders; therefore no goodwill is recognized as a result of such transactions.

(ii) Special purpose entities

The Corporation has established a number of special purpose entities (“SPE”) for operating purposes. An SPE is consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE’s risks and rewards, the Corporation concludes that it controls the SPE. SPE’s controlled by the Corporation were established under terms that impose strict limitations on the decision-making powers of the SPE’s management and that result in the Corporation receiving the majority of the benefits related to the SPE’s operations and net assets, being exposed to the majority of risks incident to the SPE’s activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

(iii) Investments in associates (equity accounted investees)

Associates are those entities in which the Corporation has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Corporation’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Corporation’s share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Corporation’s share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the investee.

(iv) Joint ventures

Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement. Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognized at cost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Corporation’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Significant Accounting Policies (continued)

(b) Changes in accounting policy and disclosure

Standards, amendments and interpretations to existing standards that are in effective and have been adopted by the Corporation include:

IFRS 10 – Consolidated Financial Statements. The new standard establishes a clear set of principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard was effective and adopted by the Corporation as of January 1, 2013. The adoption of the standard did not have a material effect on the Corporation.

IFRS 11 – Joint Arrangements. The new standard establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly and clearly defines the difference between joint operations and joint ventures and the accounting requirements for each. The standard was effective and adopted by the Corporation as of January 1, 2013. The adoption of the standard did not have a material effect on the Corporation.

IFRS 12 – Disclosure of interests in other entities. The new standard requires an entity to disclose information that enables users of the financial statements to evaluate the nature, and risks associated with, its interest in other entities and the effects of those interests on its financial position, performance and cash flows. The standard was effective and adopted by the Corporation as of January 1, 2013. The adoption of the standard did not have a material effect on the Corporation.

IFRS 13 – Fair Value Measurement. The new standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard was effective and adopted by the Corporation as of January 1, 2013. The adoption of the standard did not have a material effect on the Corporation.

(c) Financial instruments

Financial Instrument	Category	Measurement Method
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Loans and other borrowings	Other financial liabilities	Amortized cost

(i) Non-derivative financial assets

The Corporation initially recognizes trade and other receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Corporation uses the following non-derivative financial asset classifications: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Financial assets at fair value through profit or loss are classified as held for trading or are designated as such upon initial recognition. Held-for-trading instruments are financial assets and liabilities typically acquired with the intention of generating revenues in the short-term. However, an entity is allowed to designate certain financial instruments as held-for-trading on initial recognition even if it would otherwise not satisfy the definition. As at December 31, 2013 and 2012 the Corporation does not hold any held-for-trading financial instruments. Financial assets required to be classified or designated as held-for-trading are measured at fair value, with gains and losses recorded in net earnings for the period in which the change occurs. Attributable transaction costs are recognized in profit or loss as incurred. The Corporation uses trade-date accounting for its held-for-trading financial assets.

Held-to-maturity investments are non-derivative financial assets, with fixed or determinable payments and fixed maturity, which an entity has the positive intention and ability to hold to maturity. These financial assets are initially recognized at fair value plus any directly attributable transaction costs. These financial assets are measured at amortized cost using the effective interest method. As at December 31, 2013 and 2012, the Corporation does not have any financial assets classified as held-to-maturity.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognized at fair value plus any directly attributable transaction costs. Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Available-for-sale assets are measured at fair value, except for assets that do not have a readily determinable fair value which are recorded at cost. Attributable transaction costs are recognized in profit or loss as incurred. As at December 31, 2013 and 2012, the Corporation does not have any financial assets classified as available-for-sale.

(ii) Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which it becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legal right to offset the amounts and the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Included in loans and borrowing are cash and cash equivalents comprising of cash balances and call deposits with original maturities of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Corporation’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Corporation has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

3. Significant Accounting Policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within operating expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a major component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced major component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated using the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Assets	Method	Residual Value	Useful Life
Camp facilities	Straight-line	20%	15 years
Camp setup & installation	Straight-line	-	2 to 5 years
Marine equipment	Straight-line	-	20 years
Buildings	Straight-line	-	20 years
Automotive & trucking equipment	Straight-line	-	4 to 8 years
Mats	Straight-line	-	6 years
Furniture, fixtures & other equipment	Straight-line	-	2 to 10 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate. Land and assets under construction are not depreciated.

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is not amortized but is tested at least annually for impairment.

3. Significant Accounting Policies (continued)

(e) Intangible assets (continued)

(ii) Assets acquired on business combinations

Non-operating intangible assets are intangible assets that are acquired as a result of a business combination, which arise from contractual or other legal rights and are not transferable or separable. On initial recognition they are measured at fair value. Amortization is charged on a straight line basis to the statement of comprehensive income over their expected useful lives which are:

	Estimated useful lives
Customer relationships	7 years
Other intangible assets	5 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate. Other intangible assets that are acquired by the Corporation, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average or standard cost principle and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Corporation considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Corporation uses historical trends of the probability of default, timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

3. Significant Accounting Policies (continued)

(g) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that are expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the group of CGUs to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units), on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Significant Accounting Policies (continued)

(g) Impairment (continued)

(iii) Non-financial assets (continued)

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(h) Employee benefits

(i) Non-financial assets

The Corporation's defined contribution plan which is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under the short-term cash bonus plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share based compensation transactions

The grant date fair value of share based compensation awards granted to employees is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(i) Provisions

A provision is recognized if, as a result of a past event, the Corporation 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. As at December 31, 2013 and 2012 the Corporation has recognized a provision for Asset Retirement Obligation.

(j) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards have transferred to the customer, collectability is reasonably assured, the associated costs can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For the sale of camps and mats, transfer usually occurs when the product is delivered to the customer's site; however, in instances where the customer has provided a certificate of insurance for undelivered assets, the Corporation will recognize revenue prior to delivery.

3. Significant Accounting Policies (continued)

(j) Revenue (continued)

(ii) Services

The Corporation's services are generally provided based upon purchase orders or contracts with its customers that include fixed or determinable prices based upon monthly, daily, or hourly rates. Revenue is recognized when services are rendered and only when collectability is reasonably assured.

(iii) Rental income

Rental income is recognized in profit or loss on a straight line basis over the term of the arrangement, or on a daily or monthly rate.

(iv) Construction contracts

Contract revenue includes the initial amount agreed to in the contract plus any variations in contract work, claims, and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by the proportion that contract costs incurred for work performed to date bear to the estimated total contract 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. An expected loss on a contract is recognized immediately in profit or loss.

(k) Lease payments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leases in terms of which substantially all the risks and rewards of ownership are transferred to the Corporation are classified as finance leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease:

At inception of an arrangement, the Corporation determines whether such an arrangement is, or contains, a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Corporation the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Corporation separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Corporation concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Corporation's incremental borrowing rate.

(l) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3. Significant Accounting Policies (continued)

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of 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 or loss, 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 temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

(n) Earnings per share

The Corporation presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which is comprised of share options granted to employees.

(o) Segment reporting

A segment is a distinguishable component of the Corporation that is engaged either in providing related products or services (business segment) which is subject to risks and returns that are different from those of other segments. The business segments are determined based on the Corporation’s management and internal reporting structure.

Segment results, assets, and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Corporation’s headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

3. Significant Accounting Policies (continued)

(p) Foreign currency translation

The consolidated financial statements are presented in Canadian Dollars ("CAD").

Foreign currency transactions entered into are translated into the functional currency of the operations at the exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into the functional currency using the exchange rate on the period end date. Foreign currency translation gains and losses resulting from the settlement of transactions and the re-translation at period end are recognized in the statement of comprehensive income within total profit. Non-monetary items that originated in a foreign currency are translated at the exchange rate from the original transaction date.

US operations have a US Dollar ("USD") functional currency and therefore are translated to be included in the consolidated financial statements in CAD as follows: income and expenses are translated into CAD using the exchange rates on the dates of the transactions and the assets and liabilities on the statement of financial position is translated into CAD at the period end exchange rate. The effect of translation is recognized in other comprehensive income and included as translation of foreign operations in accumulated other comprehensive income within equity.

Foreign currency gains and losses arising from monetary items receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur, form a part of the exchange differences in the net investment in the foreign operations and are recognized initially in other comprehensive income. Upon disposal or partial disposal of an entity with a functional currency other than CAD, any accumulated exchange differences will be reclassified to the statement of comprehensive income within total profit.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements. The Corporation intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The Corporation does not expect the amendments to have a material impact on the financial statements.

4. Determination of fair values

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller, in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(b) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

4. Determination of fair values (continued)

(c) Other financial assets and liabilities

The fair value of other financial assets and liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(d) Share-based compensation transactions

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option holder behavior), the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

5. Revenue

	Twelve months ended December 31,	
(000's)	2013	2012
Rental and Catering revenue	$ 285,741	$ 311,939
Construction contract revenue	227,650	156,513
Rendering of services	27,916	26,658
Sales of goods	13,080	31,506
	$ 554,387	$ 526,616

Construction contract revenue has been determined based on the percentage of completion method. The amount of construction contract revenue results from the manufacture of camps and other modular facilities in the Camp & Catering segment. These units are based on specifically negotiated contracts with customers.

At December 31, 2013, advances received from customers under open construction contracts amounted to $2,702,000 (2012 - $337,000). Advances for which the related work has not been completed are presented as deferred revenue.

6. Direct Operating Expenses

	Twelve months ended December 31,	
(000's)	2013	2012
Labour	$ 211,204	$ 181,891
Job supplies	112,297	113,720
Rental equipment	13,175	14,299
Repairs & maintenance	16,735	14,843
Trucking costs	16,919	13,099
Other operating expenses	38,677	26,509
Direct costs	$ 409,007	$ 364,361
Depreciation	47,623	32,007
Share based compensation	1,311	1,268
Loss (gain) on disposal of property, plant and equipment	6,152	(93)
	$ 464,093	$ 397,543

The amount of inventories recognized as an expense during the twelve months ended December 31, 2013 is $84,341,000 (2012 - $78,463,000).

7. Selling & Administrative Expenses

(000's)	Twelve months ended December 31, 2013	2012
Salaries	$ 11,619	$ 10,278
Other selling & administrative expenses	7,427	6,950
Selling & administrative expenses	19,046	17,228
Amortization of intangible assets	7,060	8,204
Share based compensation	897	883
	$ 27,003	$ 26,315

8. Personnel expenses

(000's)	Twelve months ended December 31, 2013	2012
Wages, salaries & benefits	$ 218,244	$ 187,941
Contributions to defined contribution plans	4,579	4,228
Share based compensation	2,208	2,151
	$ 225,031	$ 194,320

The Corporation has two types of defined contribution plans: a registered defined contribution plan covering a number of its employees and a collectively bargained plan covering union employees. Under the registered defined contribution plan, the Corporation matches individual contributions up to a maximum of 5% of the employee's annual salary. Under the collectively bargained plan, the Corporation contributes a set amount per hour worked. The total amount expensed under both defined contribution plans for the year ended December 31, 2013 was $4,579,000 (2012 - $4,228,000).

9. Finance Costs

(000's)	Twelve months ended December 31, 2013	2012
Interest expense	$ 3,388	$ 2,918
Accretion of discount on notes payable	371	573
Accretion of provisions	63	66
	$ 3,822	$ 3,557

10. Income Taxes

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the difference is as follows:

	Twelve months ended December 31,	
(000's)	2013	2012
Profit before tax	$ 59,469	$ 98,672
Combined federal and provincial income tax rate	25%	25%
Expected income tax provision	14,867	24,668
Non-deductible share based compensation	552	538
Share of equity accounted investees	-	132
Revisions to prior year tax pool estimates	655	(45)
Change in estimated timing of realization of temporary differences	(397)	-
Differences in jurisdictional tax rates	104	270
Non-taxable portion of capital loss (gain)	995	(187)
Other	242	413
	$ 17,018	$ 25,789

For the year ended December 31, 2013 income tax expense was $17,018,000, an effective tax rate of 28.6%, for the year ended December 31, 2012 income tax expense was $25,789,000, an effective tax rate of 26.1%. The increase in the effective tax rate was primarily due to the revision of the prior year tax estimates and permanent differences.

11. Trade and other receivables

(000's)	December 31, 2013	December 31, 2012
Trade receivables	$ 50,435	$ 112,636
Accrued receivables	38,659	19,439
Loans and other receivables	927	1,180
Receivables due from related parties	900	435
	90,921	133,690
Allowance for doubtful	(65)	(495)
Trade and other receivables	$ 90,856	$ 133,195

At December 31, 2013, progress billings to customers under open construction contracts included in trade receivables amounted to $11,855,000 (2012 - $7,683,000). The Corporation estimates that the carrying value of financial assets within trade and other receivables approximate their fair value.

12. Inventories

(000's)	December 31, 2013	December 31, 2012
Raw materials	$ 9,547	$ 10,919
Finished goods	6,091	2,402
	$ 15,638	$ 13,321

13. Property, Plant and Equipment

Cost (000's)	Balance December 31, 2012	Additions	Disposals	Impact of Foreign Translation	Balance December 31, 2013
Camp facilities, setup & installation	$ 343,032	$ 64,032	$ (26,493)	$ 147	$ 380,718
Marine equipment	18,830	-	(6,019)	-	12,811
Land & Buildings	31,638	2,677	(3,249)	-	31,066
Automotive & trucking equipment	32,162	6,830	(1,159)	-	37,833
Mats	8,703	5,561	(4,139)	-	10,125
Furniture, fixtures & other equipment	5,722	1,410	(283)	-	6,849
Asset retirement obligation	1,087	4,229	-	-	5,316
Assets under construction	3,208	9,636	(154)	-	12,690
	$ 444,382	$ 94,375	$ (41,496)	$ 147	$ 497,408

Accumulated Depreciation (000's)	Balance December 31, 2012	Depreciation	Disposals	Impact of Foreign Translation	Balance December 31, 2013
Camp facilities, setup & installation	$ 65,929	$ 36,904	$ (6,176)	$ 15	$ 96,672
Marine equipment	15,682	192	(3,804)	-	12,070
Land & Buildings	7,287	1,541	(290)	-	8,538
Automotive & trucking equipment	17,137	4,044	(822)	-	20,359
Mats	4,962	3,936	(2,305)	-	6,593
Furniture, fixtures & other equipment	2,863	956	(262)	-	3,557
Asset retirement obligation	317	50	-	-	367
Assets under construction	-	-	-	-	-
	$ 114,177	$ 47,623	$ (13,659)	$ 15	$ 148,156

Carrying Amounts (000's)	Balance December 31, 2012	Balance December 31, 2013
Camp facilities, setup & installation	$ 277,103	$ 284,046
Marine equipment	3,148	741
Land & Buildings	24,351	22,528
Automotive & trucking equipment	15,025	17,474
Mats	3,741	3,532
Furniture, fixtures & other equipment	2,859	3,292
Asset retirement obligation	770	4,949
Assets under construction	3,208	12,690
	$ 330,205	$ 349,252

13. Property, Plant and Equipment (continued)

Cost *(000's)*	Balance December 31, 2011	Additions	Disposals	Impact of Foreign Translation	Balance December 31, 2012
Camp facilities, setup & installation	$ 223,391	$ 125,565	$ (5,904)	$ (20)	$ 343,032
Marine equipment	18,830	-	-	-	18,830
Land & Buildings	28,456	3,171	11	-	31,638
Automotive & trucking equipment	25,346	7,107	(291)	-	32,162
Mats	6,294	5,745	(3,336)	-	8,703
Furniture, fixtures & other equipment	4,433	1,384	(95)	-	5,722
Asset retirement obligation	1,071	16	-	-	1,087
Assets under construction	6,850	(3,642)	-	-	3,208
	$ 314,671	$ 139,346	$ (9,615)	$ (20)	$ 444,382

Accumulated Depreciation *(000's)*	Balance December 31, 2011	Depreciation	Disposals	Impairment loss	Balance December 31, 2012
Camp facilities, setup & installation	$ 45,718	$ 22,013	$ (1,802)	$ -	$ 65,929
Marine equipment	15,410	272	-	-	15,682
Land & Buildings	5,932	1,344	11	-	7,287
Automotive & trucking equipment	13,072	4,313	(248)	-	17,137
Mats	3,393	3,143	(1,574)	-	4,962
Furniture, fixtures & other equipment	2,177	781	(95)	-	2,863
Asset retirement obligation	176	141	-	-	317
Assets under construction	-	-	-	-	-
	$ 85,878	$ 32,007	$ (3,708)	$ -	$ 114,177

Carrying Amounts *(000's)*	Balance December 31, 2011	Balance December 31, 2012
Camp facilities, setup & installation	$ 177,673	$ 277,103
Marine equipment	3,420	3,148
Land & Buildings	22,524	24,351
Automotive & trucking equipment	12,274	15,025
Mats	2,901	3,741
Furniture, fixtures & other equipment	2,256	2,859
Asset retirement obligation	895	770
Assets under construction	6,850	3,208
	$ 228,793	$ 330,205

13. Property, Plant and Equipment (continued)

(a) Assets under construction

At December 31, 2013 and 2012, the Corporation had several camp facility fleet structures under construction for both maintenance and expansion purposes. The Corporation has not capitalized any borrowing costs for the twelve months ended December 31, 2013 (December 31, 2012 - $nil), due to the short term nature of construction.

(b) Capital commitments

At December 31, 2013 the Corporation had no outstanding commitments to purchase property, plant and equipment (2012 - $227,000).

14. Intangible Assets and Goodwill

Intangible assets, other than goodwill, have finite useful lives. The amortization charges for intangible assets are included on the consolidated statement of comprehensive income. Goodwill has an infinite life and is not amortized.

Cost *(000's)*	Balance December 31, 2012	Additions	Removal of fully amortized	Balance December 31, 2013
Customer relationships	$ 56,194	$ -	$ (33,515)	$ 22,679
Other intangible assets	1,741	-	(1,741)	-
	$ 57,935	$ -	$ (35,256)	$ 22,679

Amortization *(000's)*	Balance December 31, 2012	Amortization	Removal of fully amortized	Balance December 31, 2013
Customer relationships	$ 46,797	$ 6,429	$ (33,515)	$ 19,711
Other intangible assets	1,110	631	(1,741)	-
	$ 47,907	$ 7,060	$ (35,256)	$ 19,711

Carrying Amount *(000's)*	Balance December 31, 2012	Balance December 31, 2013
Customer relationships	$ 9,397	$ 2,968
Other intangible assets	631	-
	$ 10,028	$ 2,968

14. Intangible Assets and Goodwill (continued)

Cost *(000's)*	Balance December 31, 2011	Additions	Removal of fully amortized	Balance December 31, 2012
Customer relationships	$ 56,194	$ -	$ -	$ 56,194
Other intangible assets	1,741	-	-	1,741
	$ 57,935	$ -	$ -	$ 57,935

Amortization *(000's)*	Balance December 31, 2011	Amortization	Removal of fully amortized	Balance December 31, 2012
Customer relationships	$ 38,533	$ 8,264	$ -	$ 46,797
Other intangible assets	1,170	(60)	-	1,110
	$ 39,703	$ 8,204	$ -	$ 47,907

Carrying Amount *(000's)*	Balance December 31, 2011	Balance December 31, 2012
Customer relationships	$ 17,661	$ 9,397
Other intangible assets	571	631
	$ 18,232	$ 10,028

(a) Impairment loss

Intangible assets with an indefinite useful life are required to be tested annually for impairment. All of the Corporation's intangible assets have a definite useful life and are currently being used.

During the year ended December 31, 2013 and 2012, there were no indicators of impairment; therefore no impairment test was performed.

(b) Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Corporation's CGU which represent the lowest level at which goodwill is monitored for internal management purposes and which are not higher than the Corporation's operating segments.

As at December 31, 2013 the aggregate carrying amount of goodwill is $1,664,000 (2012 - $2,136,000), allocated entirely to the Camp and Catering CGU. The reduction is related to the disposal of the Corporation's blast resistant structures business.

The recoverable amount determined using the value in use calculation which exceeded the carrying amount, and therefore no impairment was recorded.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2013 was determined similarly as in 2012. The calculation of the value in use was based on the following key assumptions:

- Forecasts use current contracts and market conditions to project revenue. Costs are calculated using historical gross margins and additional known or pending factors.
- The projections were extrapolated over the remaining useful life of the primary assets of 15 years and discounted at a rate of 11.80% (2012 – 11.80%). The discount rate was estimated based on past experience, and industry average unlevered beta, which was based on a possible range of debt leveraging of 9% at a market interest rate of 4%.
- No growth rate was applied, as the amount from the value-in-use exceeded carrying value.

It is unlikely that a change in a key assumption in the value-in-use calculation would cause the unit's carrying amount to exceed its recoverable amount.

15. Other Assets

The Corporation's other assets consists of a 25 year prepaid lease for a building and land to accommodate a portion of the Corporation's manufacturing operations in Kamloops, British Columbia. The amount expensed during the year ended December 31, 2013 related to the prepaid lease was $128,000 (2012 - $127,000) with 21 years remaining.

16. Loans and Borrowings

(000's)	December 31, 2013	December 31, 2012
Committed credit facility	$ 70,756	$ 108,247
Notes payable	5,655	6,304
Vehicle and equipment financing	$ 3,341	$ 3,737
	$ 79,752	$ 118,288
Less current portion	(1,496)	(1,416)
	$ 78,256	$ 116,872

The carrying value of Horizon's debt approximates its fair value, as the majority of the debt bears interest at variable rates.

On November 6, 2013, the Corporation's current credit facility of $150,000,000 was renewed for a term of 3 years. The credit facility is extendable annually at the Corporation's request and subject to lender approval. The committed credit facility is secured by a $300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 0.625%. Amounts borrowed under the facility become due on October 26, 2016, the maturity date of the facility. As at December 31, 2013, the Corporation was in compliance with all financial and non-financial covenants. The calculations of the Corporation's financial covenants for its committed credit facility are shown below:

Debt Covenants	December 31, 2013
Debt [(1)] to EBITDAS [(2)(3)] – must be less than 2.0:1	0.6:1
Interest coverage[(4)] – must be greater than 3.0:1	37.3:1

(1) Debt is calculated as the sum of current and long-term portions of loans and borrowings, excluding vehicle and equipment financing.
(2) EBITDAS (Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under IFRS. Horizon's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.
(3) Debt to EBITDAS is calculated as the ratio of Debt to trailing 12 months EBITDAS.
(4) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

Notes Payable

Horizon incurred $10,850,000 of notes payable during 2009 as part of the purchase price for drill camp equipment and generators. The notes payable are non-interest bearing and are repayable over a term of up to 6 years. Actual payments on the note are dependent on utilization levels of specific equipment with minimum repayments of at least $1,000,000 per year. The fair value of these notes was initially measured at $8,771,000 using a discount rate of 9% which was consistent with market rates for debt with similar characteristics at the time. At December 31, 2013 these notes were recorded at an amortized cost amount of $5,655,000.

Principal Repayments for Loans and Borrowings

(000's)	Amount
2014	$ 1,496
2015	7,500
2016	70,756
2017	-
2018 and beyond	-
	$ 79,752

17. Asset retirement obligations and commitments

(a) Provisions include constructive site restoration obligations for camp projects to restore lands to previous condition when camp facilities are dismantled and removed at the end of their useful lives.

(000's)	December 31, 2013	December 31, 2012
Balance, beginning of period	$ 1,364	$ 1,283
Additions	4,229	-
Revisions	-	15
Accretion of provisions	63	66
Balance, end of period	$ 5,656	$ 1,364

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, at current prices, and discounted using a risk free rate. The future value amount at December 31, 2013 was $7,561,000 (2012 - $2,734,000) and determined using a present value discount rate of 4% and an inflation rate of 1%. The timing of these payments is dependent on various factors, such as the estimated lives of the equipment and industry activity in the region, but is anticipated to occur between 2016 and 2032.

(b) The Corporation has outstanding bank letters of credit as follows:

Maturity date	Amount *(000's)*
January 16, 2014	$ 25
February 1, 2014	50
June 1, 2014	150
March 31, 2015	72

(c) The Corporation rents premises and equipment under multiple operating lease contracts with varying expiration dates. The minimum lease payments under these leases over the next five years are as follows:

(000's)	Amount
2014	$ 4,421
2015	5,031
2016	2,353
2017	1,644
2018 and beyond	3,709
	$ 17,158

18. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets and liabilities have not been recognized in respect of the following items:

(000's)	December 31, 2013	December 31, 2012
Deductible temporary differences	$ 52	$ 52
Tax losses	373	345
Balance, end of period	$ 425	$ 397

Tax losses not recognized expire in 2028 and beyond. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the subsidiary of the Corporation can utilize the benefits.

(b) The Corporation has net operating losses for Canadian tax purposes of $3,086,000 available to reduce future taxable income in Canada, which will expire as follows:

(000's)	Amount
2013	$ -
2014	-
2015	-
2016	-
2017 and beyond	3,086
	$ 3,086

The components of net deferred tax asset (liability) recognized are as follows:

	Assets		Liabilities		Net	
(000's)	2013	2012	2013	2012	2013	2012
Property, plant and equipment	$ 249	$ 938	$ (32,807)	$ (26,910)	$ (32,558)	$ (25,972)
Intangibles	1,997	1,873	-	(946)	1,997	927
Goodwill	2,523	2,614	(151)	(124)	2,372	2,490
Deferred partnership income	-	-	(5,030)	(7,329)	(5,030)	(7,329)
Non-capital loss carry forwards	818	1,465	-	-	818	1,465
Net capital loss carry forwards	710	-	-	-	710	-
Restructuring costs	122	-	-	-	122	-
Asset retirement obligation	1,378	-	-	-	1,378	-
Reserves	386	873	-	-	386	873
Deferred tax asset					1,067	1,772
Deferred tax liability					(30,872)	(29,318)
					$ (29,805)	$ (27,546)

18. Deferred tax assets and liabilities (continued)

Movements in temporary differences during the year are as follows:

(000's)	December 31, 2012	Recognized in profit and loss	December 31, 2013
Property, plant and equipment	$ (25,972)	$ (6,586)	$ (32,558)
Intangibles	927	1,070	1,997
Goodwill	2,490	(118)	2,372
Deferred partnership income	(7,329)	2,299	(5,030)
Non-capital loss carry forwards	1,465	(647)	818
Net capital loss carry forwards	-	710	710
Restructuring costs	-	122	122
Asset retirement obligation	-	1,378	1,378
Reserves	873	(487)	386
	$ (27,546)	$ (2,259)	$ (29,805)

19. Share Capital

(a) Authorized

Unlimited number of voting common shares without nominal or par value.
Unlimited number of preferred shares issuable in series.

(b) Issued

	Number	Amount (000's)
Balance at December 31, 2011	106,751,651	$ 173,438
Share options exercised	1,957,624	6,561
Balance at December 31, 2012	108,709,275	$ 179,999
Share options exercised	1,375,609	3,852
Balance at December 31, 2013	110,084,884	$ 183,851

(c) Share option plan

The Corporation has a share option plan for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and were set at three years. The Corporation uses graded vesting for share options over the period in which the option vests. All share options are equity settled with a weighted average remaining contractual life of 3.1 years and all options granted have a maximum term of 5 years with the exception of options granted on July 25, 2006 which have a maximum term of 10 years.

	Year ended December 31, 2013		Year ended December 31, 2012	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of year	4,914,831	$ 4.40	4,216,007	$ 2.27
Granted	321,400	6.77	2,750,700	6.25
Forfeited	(148,667)	5.59	(94,252)	3.73
Exercised	(1,375,609)	1.96	(1,957,624)	2.44
Balance, end of year	3,711,955	$ 5.46	4,914,831	$ 4.40

19. Share Capital (continued)

(c) Share option plan (continued)

	Year ended December 31, 2013		Year ended December 31, 2012	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of year	2,096,712	$ 2.10	3,208,815	$ 2.47
Vested	681,773	5.87	858,187	1.49
Expired	(7,000)	6.25	(12,666)	2.27
Exercised	(1,375,609)	1.96	(1,957,624)	2.44
Balance, end of year	1,395,876	$ 4.06	2,096,712	$ 2.10

The exercise prices for options outstanding at December 31, 2013 are as follows:

	Total options outstanding			Exercisable options	
Exercise price per share	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
$1.36 to $3.93	864,835	$ 2.77	2.1	864,835	$ 2.77
$3.94 to $6.20	304,167	5.42	3.4	75,832	5.04
$6.21 to $6.27	2,194,553	6.25	3.2	425,210	6.25
$6.28 to $6.77	167,500	6.71	4.4	-	-
$6.78 to $9.01	180,900	7.70	4.1	29,999	7.80
	3,711,955	$ 5.46	3.1	1,395,876	$ 4.06

The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2013 was $7.20/share (2012 - $6.08/share).

The Corporation calculated the fair value of the share options granted using the Black-Scholes pricing model to estimate the fair value of the share options issued at the date of grant. The weighted average fair market value of all options granted during the year and the assumptions used in their determination are as follows:

(000's)	December 31, 2013	December 31, 2012
Weighted average fair value per option	$ 1.47	$ 2.15
Weighted average forfeiture rate	6.61%	6.98%
Weighted average grant price	$ 6.77	$ 6.25
Weighted average expected life	3.02 years	3.20 years
Weighted average risk free interest rate	1.20%	1.33%
Weighted average dividend yield rate	3.74%	3.21%
Weighted average volatility	39.9%	58.9%

Expected volatility is estimated by considering historic average share price volatility. For the twelve months ended December 31, 2013, share based compensation for share options included in net earnings amounted to $2,208,000 (2012 - $2,151,000).

20. Earnings Per Share

The calculation of basic earnings per share for the twelve months ended December 31, 2013 was based on the total profit attributable to common shareholders of $42,451,000 (2012 - $72,883,000).

A summary of the common shares used in calculating earnings per share for the twelve months ended December 31, 2013 and 2012 is as follows:

	2013	2012
Number of common shares, beginning of period	108,709,275	106,751,651
Weighted average effect of share options exercised	631,198	1,326,037
Weighted average common shares outstanding – basic	109,340,473	108,077,688
Effect of share purchase options[(1)]	1,101,356	1,872,884
Weighted average common shares outstanding – diluted	110,441,829	109,950,572

(1) The Corporation utilizes the treasury stock method for calculating the dilutive effect of share purchase options when the average market price of the Corporation's common stock during the period exceeds the exercise price of the option

For the twelve months ended December 31, 2013, 2,206,700 share options (2012 - 2,597,450) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

21. Financial Risk Management

(d) Overview

The Corporation is exposed to a number of different financial risks arising from normal course business operations as well as through the Corporation's financial instruments comprised of cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. These risk factors include credit risk, liquidity risk, and market risk, including currency exchange risk and interest rate risk.

The Corporation's risk management practices include identifying, analyzing, and monitoring the risks faced by the Corporation. The following presents information about the Corporation's exposure to each of the risks and the Corporation's objectives, policies, and processes for measuring and managing risk.

(b) Credit risk

Credit risk is the risk that a customer will be unable to pay amounts due, causing a financial loss; as a result, the Corporation's maximum exposure to credit risk is the amount of trade and other receivables and cash and cash equivalents. The Corporation's practice is to manage credit risk by examining each new customer individually for credit worthiness before the Corporation's standard payment terms are offered. The Corporation's review may include financial statement review, credit references, or bank references. Customers that lack credit worthiness transact with the Corporation on a prepayment only basis.

The Corporation constantly monitors individual customer trade receivables, taking into consideration industry, aging profile, maturity, payment history, and existence of previous financial difficulties in assessing credit risk. A formal review is performed each month for each subsidiary, focusing on amounts which have been outstanding for periods which are considered abnormal for each customer. The Corporation establishes an allowance for doubtful accounts for specifically identifiable customer balances which are assessed to have credit risk exposure.

21. Financial Risk Management (continued)

The following shows the aged balances of trade and other receivables:

(000's)	December 31, 2013	December 31, 2012
Neither impaired nor past due	$ 29,370	$ 44,337
Impaired	65	495
Outstanding 31-60 days	15,826	38,313
Outstanding 61-90 days	4,001	16,800
Outstanding more than 90 days	2,073	13,126
Total	51,335	113,071
Allowance for doubtful accounts	(65)	(495)
Accrued revenue	38,659	19,439
Other receivables	927	1,180
Total trade and other receivables	$ 90,856	$ 133,195

In the twelve months ended December 31, 2013, the Corporation provided an allowance for $368,000 of receivables aged greater than 90 days and collected $218,000 that had previously been allowed for. The Corporation also applied $580,000 of allowance for doubtful accounts against the associated receivable balance. As at February 19, 2014, the Corporation has collected $1,216,000 on amounts outstanding more than 90 days.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation believes that it has access to sufficient capital through internally generated cash flows and committed credit facilities to meet current spending forecasts.

To manage liquidity risk, the Corporation forecasts operational results and capital spending on a regular basis. Actual results are compared to these forecasts to monitor the Corporation's ability to continue to meet spending forecasts.

On November 6, 2013, the Corporation's current credit facility of $150,000,000 was renewed for a term of 3 years. The credit facility is extendable annually at the Corporation's request and subject to lender approval. The committed credit facility is secured by a $300,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. Interest is payable at the bank prime rate plus 0.625%. Amounts borrowed under the facility become due on October 26, 2016, the maturity date of the facility.

The following shows the timing of cash outflows relating to trade and other payables and loans and borrowings:

	December 31, 2013			December 31, 2012		
	Trade and other payables(1)	Loans and borrowings(2)	Total	Trade and other payables(1)	Loans and borrowings(2)	Total
Year 1	$ 56,961	$ 1,496	$ 58,457	$ 72,172	$ 1,416	$ 73,588
Year 2	-	7,500	7,500	-	1,543	1,543
Year 3	-	70,756	70,756	-	115,329	115,329
Year 4	-	-	-	-	-	-
Year 5 and beyond	5,656	-	5,656	1,364	-	1,364
	$ 62,617	$ 79,752	$ 142,369	$ 73,536	$ 118,288	$ 191,824

(1) Trade and other payables include trade and other payables, income taxes payable, and asset retirement provisions.

(2) Loans and borrowings include non-interest bearing notes payable, vehicle and equipment financing and committed credit facility. Cash flows of Horizon's note payable have been recorded according to estimated utilization of specific equipment.

21. Financial Risk Management (continued)

(d) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on future performance of the Corporation. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities, and expected future cash flows include foreign currency exchange risk and interest rate risk. As the Corporation's exposure to foreign currency exchange risk and interest rate risk is limited, the Corporation does not currently hedge its financial instruments.

(iii) Foreign currency exchange risk

The Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in CAD. The Corporation's exposure to foreign currency exchange risk arises from the purchase of some raw materials, which are denominated in USD, and foreign operations with USD functional currency.

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the twelve months ended December 31, 2013 by approximately $182,500 (December 31, 2012 - $261,000). This assumes that the quantity of USD raw material purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(iv) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 0.625%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $933,500 for the twelve months ended December 31, 2013 (December 31, 2012 - $841,000). This assumes that the amount and mix of fixed and floating rate debt in the year remains unchanged and that the change in interest rates is effective from the beginning of the year.

22. Capital Management

The Corporation's main objective is to build a profitable, growth-oriented company. Therefore, the Corporation's primary capital management objective is to maintain a conservative balance sheet to maintain investor, creditor, and market confidence and to sustain future development of the business.

The Corporation monitors capital through two key ratios: total loans and borrowings to EBITDAS[(1)] and total loans and borrowings to total loans and borrowings plus shareholders' equity.

Total loans and borrowings to EBITDAS[(1)] is calculated as current loans and borrowings plus long-term loans and borrowings divided by trailing 12 months EBITDAS[(1)]. Total loans and borrowings to EBITDAS[(1)] is monitored from both a historical and anticipated EBITDAS[(1)] perspective.

Total loans and borrowings to total loans and borrowings plus shareholders equity is calculated as current loans and borrowings plus long-term loans and borrowings divided by current loans and borrowings plus long-term loans and borrowings plus shareholders' equity.

The Corporation's strategy during the twelve months ended December 31, 2013, which was unchanged from 2012, which was to maintain an appropriate level of loans and borrowings in comparison to EBITDAS[(1)] and total loans and borrowings plus shareholders' equity.

22. Capital Management (continued)

The Corporation's strategy during the twelve months ended December 31, 2013, which was unchanged from 2012, which was to maintain an appropriate level of loans and borrowings in comparison to EBITDAS(1) and total loans and borrowings plus shareholders' equity.

(000's)	December 31, 2013	December 31, 2012
Statement of financial position components of ratios		
Current loans and borrowings(2)	$ 1,496	$ 1,416
Loans and borrowings(2)	78,256	116,872
Total loans and borrowings	79,752	118,288
Shareholders' equity	294,427	274,263
Total loans and borrowings plus shareholders' equity	$ 374,179	$ 392,551
Statement of comprehensive income components of ratios (trailing 12 months)		
Operating earnings	$ 63,291	$ 102,758
Depreciation	47,623	32,007
Amortization	7,060	8,204
Loss (gain) on disposal of property, plant and equipment	6,152	(93)
Share based compensation	2,208	2,151
EBITDAS(1)	$ 126,334	$ 145,027
Total loans and borrowings to EBITDAS(1)	0.63	0.82
Total loans and borrowings to total loans and borrowings plus shareholders' equity	0.21	0.30

(1) EBITDAS (Earnings before finance costs, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon's method of calculating EBITDAS and operating earnings (loss) may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

(2) The Corporation's loans and borrowings include the committed credit facility, vehicle and equipment financing and notes payable. The Corporation's variable-rate committed credit facility approximates its carrying value, as it is at a floating market rate of interest. The Corporation's notes payables and vehicle and equipment financing are non-interest bearing without a fixed term of repayment and have been initially measured at fair value.

23. Operating segments

The Corporation operates in Canada and the US through two business segments: Camps & Catering and Matting. The Camps & Catering segment includes camp rental and catering services, marine operations as well as the manufacture, sale, and repair of camps. Matting includes mat rental, installation, and fleet management services, as well as the manufacture and sale of mats.

Information regarding the results of all segments is included below. Inter-segment pricing is determined on an arm's length basis.

Twelve months ended December 31, 2013 *(000's)*	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 496,594	$ 62,419	$ -	$ (4,626)	$ 554,387
EBITDAS[(1)]	120,977	17,760	(12,372)	(31)	126,334
Depreciation and amortization	46,197	8,112	583	(209)	54,683
Loss (gain) on disposal of assets	6,173	(21)	-	-	6,152
Share based compensation	1,143	168	897	-	2,208
Operating earnings (loss)	67,464	9,501	(13,852)	178	63,291
Total assets	433,908	33,606	3,601	-	471,115
Capital expenditures	78,519	10,382	1,292	(47)	90,146

Twelve months ended December 31, 2012 *(000's)*	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 447,190	$ 91,466	$ -	$ (12,040)	$ 526,616
EBITDAS[(1)]	134,229	22,626	(11,157)	(671)	145,027
Depreciation and amortization	31,713	8,179	482	(163)	40,211
Loss (gain) on disposal of assets	28	(108)	(13)	-	(93)
Share based compensation	1,096	172	883	-	2,151
Operating earnings (loss)	101,392	14,383	(12,509)	(508)	102,758
Total assets	449,676	43,352	2,965	-	495,993
Capital expenditures	124,674	14,383	1,060	(771)	139,346

The Corporation has one major customer in the Camps & Catering segment which generated a combined 24% of total revenues for the year ended December 31, 2013 (December 31, 2012 – 37%).

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

24. Related Parties

(000's)	December 31, 2013	December 31, 2012
Joint venture		
Purchases	$ -	$ -
Sales	-	8
Recovery of administrative overhead	30	30
Included in accounts receivable	-	-
Key management personnel interests		
Purchases	$ -	$ (17)
Sales	947	1,261
Included in accounts receivable	395	271
Included in accounts payable	-	-

Key management personnel include the directors and officers of Horizon that are also directors or officers of other companies. All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties and which is similar to those negotiated with third parties. All outstanding balances are to be settled with cash, and none of the balances are secured.

Key management personnel compensation for the year ended December 31, 2013 and 2012 is comprised as follows:

(000's)	December 31, 2013	December 31, 2012
Short-term employee benefits	$ 2,850	$ 3,050
Post-employment benefits	55	32
Termination benefits	-	-
Other long-term benefits	-	-
Share based compensation	450	981

25. Supplemental Information

Components of change in non-cash working capital balances related to operating activities:

(000's)	December 31, 2013	December 31, 2012
Accounts receivable	$ 42,339	$ (49,711)
Inventory	(2,317)	2,013
Prepaid expenses	(494)	1,475
Accounts payable and accrued liabilities	(4,275)	16,509
Deferred revenue	2,859	(13,013)
Finance cost payable	24	(14)
	$ 38,136	$ (42,741)

26. Significant Subsidiaries

The Corporation operates through two significant subsidiaries based on business line:

		Ownership Interest (%)	
Subsidiary Name	Country of Incorporation	December 31, 2013	December 31, 2012
Horizon North Camp & Catering Partnership	Canada	100	100
Swamp Mats Inc.	Canada	100	100

Corporate Information

Directors

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Calgary, Alberta

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Calgary, Alberta

Russell Newmark[1][2]
Calgary, Alberta

Ric Peterson[3]
Calgary, Alberta

Ann Rooney[1][2]
Calgary, Alberta

Dean Swanberg[3]
Grande Prairie, Alberta

Dale E. Tremblay[1][2][3]
Calgary, Alberta

(1) Audit Committee Member
(2) Corporate Governance and Compensation Committee Member
(3) Health, Safety and Environment Committee Member

Corporate Office

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Vice President Finance and Chief Financial Officer

Roderick Graham
Senior Vice President, Corporate Development and Planning

Bill Anderson
Vice President Health, Safety and Environment

Jan Campbell
Corporate Secretary

Legal Counsel

Borden Ladner Gervais LLP
Calgary, Alberta

Auditor

KPMG LLP
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange
Symbol: HNL

Transfer Agent

CIBC Mellon Trust Company
Calgary, Alberta

HORIZON NORTH
Logistics Inc