Gibson Energy Inc.

Consolidated Financial Statements
For the year ended December 31, 2013
(in thousands of Canadian dollars)

March 4, 2014

Independent Auditor's Report

To the Shareholders of Gibson Energy Inc.

We have audited the accompanying consolidated financial statements of Gibson Energy Inc., which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012 and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Accountants

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Gibson Energy Inc.

Consolidated Balance Sheet

(tabular amounts in thousands of Canadian dollars)

	December 31, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 97,182	$ 61,026
Trade and other receivables (note 6)	592,850	484,843
Inventories (note 7)	156,419	151,458
Income taxes receivable	7,534	5,401
Prepaid expenses and other assets	25,170	17,584
Net investment in finance leases (note 8)	765	549
Total current assets	879,920	720,861
Non-current assets		
Property, plant and equipment (note 9)	1,119,856	1,038,784
Long-term prepaid expenses and other assets (note 10)	19,640	5,894
Net investment in finance leases (note 8)	93,236	78,130
Deferred income tax assets (note 11)	8,187	9,060
Intangible assets (note 12)	202,395	234,438
Goodwill (note 13)	726,148	709,358
Total non-current assets	2,169,462	2,075,664
Total assets	$ 3,049,382	$ 2,796,525
Liabilities		
Current liabilities		
Credit facilities (note 14)	$ -	$ 31,837
Trade payables and accrued charges (note 15)	565,179	467,224
Dividends payable (note 18)	33,605	31,232
Deferred revenue	2,847	1,499
Income taxes payable	20,535	3,410
Current portion of long-term debt (note 14)	-	6,467
Total current liabilities	622,166	541,669
Non-current liabilities		
Long-term debt (note 14)	757,566	599,677
Provisions (note 16)	91,424	111,197
Other long-term liabilities (note 17)	15,487	30,384
Deferred income tax liabilities (note 11)	194,105	206,116
Total non-current liabilities	1,058,582	947,374
Total liabilities	1,680,748	1,489,043
Equity		
Share capital (note 18)	1,585,145	1,543,149
Contributed surplus	16,130	11,297
Accumulated other comprehensive income (loss)	33,879	(9,166)
Deficit	(266,520)	(237,798)
Total equity	1,368,634	1,307,482
Total liabilities and equity	$ 3,049,382	$ 2,796,525

Commitments and contingencies (note 19)

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

(signed) "James M. Estey"
James M. Estey
Director

(signed) "Marshall L. McRae"
Marshall L. McRae
Director

Gibson Energy Inc.

Consolidated Statement of Operations

(tabular amounts in thousands of Canadian dollars, except per share amounts)

	Year ended December 31, 2013	Year ended December 31, 2012
Revenue (note 20)	$ 6,940,669	$ 4,913,029
Cost of sales (notes 21, 22 and 28)	6,666,257	4,707,720
Gross profit	274,412	205,309
General and administrative expenses (notes 21 and 22)	47,372	40,469
Other operating income (note 23)	(6,576)	(8,367)
Income from operating activities	233,616	173,207
Interest expense	53,458	43,655
Gain on financial instruments relating to interest expense (note 28)	(18,252)	(4,247)
Interest income	(471)	(645)
Foreign exchange loss (gain) on long-term debt (note 14)	19,951	(13,915)
Debt extinguishment expense (note 14)	38,209	-
Loss from investment in associate	-	12
Loss on sale of investment in associate	-	34
Income before income taxes	140,721	148,313
Income tax provision (note 11)	36,905	32,127
Net income	$ 103,816	$ 116,186
Earnings per share (note 24)		
Basic	$ 0.86	$ 1.13
Diluted	$ 0.84	$ 1.10

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.
Consolidated Statement of Comprehensive Income

(tabular amounts in thousands of Canadian dollars)

	Year ended December 31, 2013	Year ended December 31, 2012
Net income	$ 103,816	$ 116,186
Other comprehensive income (loss)		
Items that may be reclassified subsequently to statement of operations		
Exchange differences on translating foreign operations	43,045	(5,662)
Items that will not be reclassified to statement of operations		
Remeasurements of post-employment benefit obligation, net of tax	1,144	(1,053)
Other comprehensive income (loss), net of tax	44,189	(6,715)
Comprehensive income	$ 148,005	$ 109,471

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 18)	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
Balance – January 1, 2012 (as previously reported)	$ 1,082,990	$ 21,240	$ (3,504)	$ (247,505)	$ 853,221
Effect of change in accounting policy (note 4)	-	-	-	648	648
Balance – January 1, 2012 (restated)	1,082,990	21,240	(3,504)	(246,857)	853,869
Net income	-	-	-	116,186	116,186
Other comprehensive loss, net of tax	-	-	(5,662)	(1,053)	(6,715)
Comprehensive income (loss)	-	-	(5,662)	115,133	109,471
Issuance of common shares less issuance costs, net of tax	390,229	-	-	-	390,229
Employee share options:					
Stock based compensation	-	3,856	-		3,856
Proceeds from exercise of stock options	18,576	-	-	-	18,576
Reclassification of contributed surplus on exercise of stock option and other stock awards	13,799	(13,799)	-	-	-
Issuance of common shares in connection with the dividend reinvestment plans	37,555	-	-	-	37,555
Dividends on common shares	-	-	-	(106,074)	(106,074)
Balance – December 31, 2012	$ 1,543,149	$ 11,297	$ (9,166)	$ (237,798)	$ 1,307,482
Net income	-	-	-	103,816	103,816
Other comprehensive income, net of tax	-	-	43,045	1,144	44,189
Comprehensive income	-	-	43,045	104,960	148,005
Employee share options:					
Stock based compensation	-	8,271	-		8,271
Proceeds from exercise of stock options	1,169	-	-	-	1,169
Reclassification of contributed surplus on exercise of stock option and other stock awards	3,438	(3,438)	-	-	-
Issuance of common shares in connection with the dividend reinvestment plans	37,389	-	-	-	37,389
Dividends on common shares	-	-	-	(133,682)	(133,682)
Balance – December 31, 2013	$ 1,585,145	$ 16,130	$ 33,879	$ (266,520)	$ 1,368,634

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Year ended December 31, 2013	2012
Cash provided by (used in)		
Operating activities		
Income from operating activities	$ 233,616	$ 173,207
Items not affecting cash		
Depreciation of property, plant and equipment (note 21)	133,854	91,972
Amortization of intangible assets (note 21)	50,203	34,639
Stock based compensation (note 22)	8,271	3,856
Gain on sale of property, plant and equipment (note 23)	(1,029)	(1,803)
Other	(3,863)	(851)
Net loss on fair value movement of financial instruments (note 28)	622	1,080
Changes in items of working capital		
Trade and other receivables	(108,618)	(29,518)
Inventories	(3,700)	36,727
Other current assets	(11,705)	(1,200)
Trade payables and accrued charges	68,481	(19,850)
Deferred revenue	1,330	(6,509)
Income taxes received (paid)	(35,831)	27,149
Net cash provided by operating activities	331,631	308,899
Investing activities		
Purchase of property, plant and equipment	(227,019)	(168,877)
Purchase of intangible assets	(8,495)	(5,502)
Proceeds from sale of associate	-	596
Proceeds on sale of assets	3,264	4,119
Acquisitions, net of cash acquired (note 5)	-	(466,381)
Net cash used in investing activities	(232,250)	(636,045)
Financing activities		
Net proceeds from issuance of common shares (note 18)	-	385,906
Payment of shareholder dividends	(131,309)	(98,204)
Proceeds from dividend reinvestment plans (note 18)	37,389	37,555
Interest paid	(19,803)	(37,928)
Interest received	466	637
Proceeds from exercise of stock options	1,169	18,576
Proceeds from long-term debt, net of debt discount (note 14)	764,173	664,535
Payment of debt issue and financing costs	(16,189)	(10,493)
Repayment of long-term debt (note 14)	(678,098)	(669,361)
Repayment of credit facilities (note 14)	(156,385)	(98,887)
Proceeds from credit facilities (note 14)	124,000	130,819
Repayment of finance lease liabilities	(808)	(328)
Net proceeds on settlement of derivative financial instruments not affecting operating activities (note 28)	8,723	-
Net cash provided by (used in) financing activities	(66,672)	322,827
Effect of exchange rate on cash and cash equivalents	3,447	535
Net increase (decrease) in cash and cash equivalents	36,156	(3,784)
Cash and cash equivalents – beginning of year	61,026	64,810
Cash and cash equivalents – end of year	$ 97,182	$ 61,026

See accompanying notes to the consolidated financial statements

(tabular amounts in thousands of Canadian dollars, except where noted)

1 General Information

Gibson Energy Inc. ("Gibson" or the "Company") was incorporated pursuant to the Business Corporations Act (Alberta). The Company's common shares are traded on the Toronto Stock Exchange under the symbol "GEI".

Gibson is engaged in the movement, storage, blending, processing and marketing and distribution of crude oil, condensate, natural gas liquids, water, oilfield waste and refined products. The Company also provides emulsion treating, water disposal, oilfield waste management services and propane distribution. The Company is incorporated and domiciled in Canada. The address of the Company's principal place of business is 1700, 440 Second Avenue S.W., Calgary, Alberta, Canada.

2 Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Accountants.

These consolidated financial statements were approved for issuance by the Company's board of directors ("Board") on March 4, 2014.

These consolidated financial statements are presented in Canadian dollars, the Company's functional currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to $ are to Canadian dollars and references to U.S.$ are to United States dollars.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain items that are recorded at fair value as required by the respective accounting standards.

Basis of consolidation

These consolidated financial statements include the results of the Company and its subsidiaries together with its interest in joint operations.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date control ceases. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

On January 1, 2013, the Company adopted IFRS 11 Joint Arrangements ("IFRS 11") and applied it to all joint arrangements as of January 1, 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint operations and accordingly, the Company has recognized its proportionate share of revenues, expenses, assets and liabilities relating to these joint operations.

(tabular amounts in thousands of Canadian dollars, except where noted)

Foreign currency translation

The financial statements for each of the Company's subsidiaries and joint operations are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates prevailing at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income (loss).

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. For acquisitions achieved in stages, previously held equity interests in the acquired company are remeasured at the acquisition date fair value and the resulting gain or loss is recognized in the statement of operations. Direct costs incurred by the Company in connection with an acquisition, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees, are expensed as general and administrative expenses when incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition plus the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of the acquirer's previously held equity interest, if any, over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the statement of operations in the period of acquisition.

At the acquisition date, any goodwill acquired is allocated to each of the operating segments expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets

An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives as follows:

Brands .... 2 – 10 years
Customer relationships .... 1 – 12 years
Long-term customer contracts .... 6 – 10 years
Non-compete agreements .... 2 – 10 years
Technology .... 3 – 5 years
Software .... 3 – 7 years
License and permits .... 3 years

The expected useful lives and method of amortization of intangible assets are reviewed on an annual basis and, if necessary, changes in expected useful life are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

(tabular amounts in thousands of Canadian dollars, except where noted)

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other maintenance costs are expensed as incurred.

Depreciation is charged so as to write off the cost of assets, other than assets that are work in progress, using the straight-line method over their expected useful lives.

The useful lives of the Company's property, plant and equipment are as follows:

Buildings	10 – 20 years
Equipment	3 – 20 years
Rolling stock	5 – 23 years
Pipelines	8 – 20 years
Tanks	20 – 33 years
Plant	7 – 25 years
Disposal wells	15 – 25 years

The expected useful lives, method of depreciation and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of operations in the period the item is derecognized.

Impairments

The Company carries out impairment reviews in respect of goodwill at least annually or if indicators of possible impairment exist. The Company also assesses during each reporting period whether there have been any events or changes in circumstances that indicate that property, plant and equipment and other intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Such indicators include, but are not limited, for changes in the Company's business plans, changes in commodity prices leading to lower activity levels, an increase in the discount rate and evidence of physical damage. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs of disposal and its value in use. Impairments are recognized immediately in the statement of operations.

The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs of disposal and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

(tabular amounts in thousands of Canadian dollars, except where noted)

An impairment loss in respect of goodwill is not reversible in future. In respect of other assets, 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 previously recognized.

Non-derivative financial instruments – recognition and measurement

Financial assets

Financial assets include cash and cash equivalents and trade and other receivables. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value, normally being the transaction price plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in the statement of operations when the loans and receivables are derecognized or impaired, as well as through the use of the effective interest method. This category of financial assets includes cash and cash equivalents and trade and other receivables.

A provision for impairment of trade receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days past the due date) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of operations. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents comprise cash on hand and short-term deposit, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial liabilities

Financial liabilities classified as other liabilities include amounts borrowed under credit facilities, trade payables and accrued charges, dividends payable and long-term debt. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are initially recognized at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized in statement of operations.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derivative financial instruments

Derivative financial instruments, used periodically by the Company to manage exposure to market risks relating to commodity prices, interest rates and foreign currency exchange rates, are not designated as hedges. They are recorded at fair value and recorded on the Company's balance sheet as either an asset, when the fair value is positive, or a liability, when the fair value is negative. Changes in fair value are recorded immediately in the statement of operations.

(tabular amounts in thousands of Canadian dollars, except where noted)

Inventories

Inventories are carried at the lower of average cost and net realizable value, with cost determined using a weighted average cost method. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, a write down is recognized. The write down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Leases - lessee

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Assets acquired under finance leases are recorded in the balance sheet as property, plant and equipment at the lower of their fair value and the present value of the minimum lease payments and depreciated over the shorter of their estimated useful life or their lease terms. The corresponding rental obligations are included in other long-term liabilities as finance lease liabilities. Interest incurred on finance leases is charged to the statement of operations on an accrual basis.

All other leases are operating leases, and the rental of these is charged to the statement of operations as incurred over the lease term.

Leases - lessor

Contractual arrangements that transfer substantially all the risks and benefits of ownership of property to the lessee are recorded as a net investment in a finance lease. The present value of minimum lease receivable under such arrangements are recorded as an investment in finance lease and the finance income is recognized in a manner that produces a consistent rate of return on the investment in the finance lease and is included in revenue.

Operating lease income is recognized in the statement of operations as it is earned over the lease term.

Provisions and contingencies

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, 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. Where discounting is used, the increase in the provision due to the passage of time is recognized within finance costs.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably and outflow of cash is less than remote. Contingent assets are not recognized, but are disclosed when an inflow of economic benefits is probable.

Decommissioning

Liabilities for site restoration on the retirement of assets are recognized when the Company has an obligation to restore the site, and when a reliable estimate of that liability can be made. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is determined by discounting the expenditures expected to be required to settle the obligation using a risk-free discount rate. Actual expenditures incurred are charged against the accumulated liability.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. The amount capitalized in property, plant and equipment is depreciated over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statement of operations. Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment.

(tabular amounts in thousands of Canadian dollars, except where noted)

Environmental liabilities

Environmental liabilities are recognized when a remediation is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the completion of a feasibility study or a commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure using a risk-free discount rate.

Employee benefits

Defined benefit pension plan and other post retirement benefits plan

The company maintains a funded defined benefit pension plan and an unfunded defined benefit other post-retirement benefits plan (“OPRB”).

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs or credits are recognised immediately in statement of operations.

Defined contribution pension plans

The Company’s defined contribution plans are funded as specified in the plans and the pension expense is recorded as the benefits are earned by employees and funded by the Company.

Share-based payments

The Company’s equity incentive plan allows for granting of stock options, restricted share units with time (RSUs) and performance share units (PSUs) with performance based vesting conditions and deferred share units (DSUs) that vest when the employee retires from the Company.

The fair value of grants made under the employee share award plan is measured at the date of grant of the award. The resulting cost, as adjusted for the expected and actual level of vesting of the awards, is expensed over the period in which the awards vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management’s best estimate of the number of equity instruments that will ultimately vest.

The movement in the cumulative expense since the previous balance sheet date is recognized in the statement of operations with a corresponding impact to contributed surplus.

The fair value of RSUs, PSUs and DSUs are equal to the Company five days weighted average share price at the date of grant.

The fair value of options is measured by using the Black-Scholes model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable and it requires the input of highly subjective assumptions. Expected volatility of the stock is based on a combination of the historical stock price of the Company and also of comparable companies in the industry. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the Government of Canada’s Canadian Bond Yields with a remaining term equal to the expected life of the options used in the Black-Scholes valuation model.

(tabular amounts in thousands of Canadian dollars, except where noted)

Termination benefit

The Company recognizes termination benefits as expense when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination.

Income taxes

Income tax expense represents the sum of the income tax currently payable and deferred income tax. Interest and penalties relating to income tax are also included in income tax expense.

The income tax currently payable is based on the taxable income for the period. Taxable income differs from net income as reported in the statement of operations because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided for using the liability method of accounting. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax basis of assets and liabilities. These differences are then measured using enacted or substantially enacted income tax rates and laws that will be in effect when these differences are expected to reverse. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the period that the change occurs. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

Revenue recognition

Product revenues associated with the sales of crude oil, diluent, natural gas liquids, asphalt, natural gas, wellsite fluids and distillate owned by the Company are recognized when the risk of ownership passes to the customer and physical delivery occurs, the price is fixed and collection is reasonably assured. Sales terms are generally FOB shipping point, in which case the sales are recorded at the time of shipment, because this is when title and risk of loss are transferred. All payments received before delivery are recorded as deferred revenue and are recognized as revenue when delivery occurs, assuming all other criteria are met. Freight costs billed to customers are recorded as a component of revenue. Revenues from buy/sell transactions whereby the Company acts as an agent are recorded on a net basis.

Revenue associated with the provision of services such as transportation, terminalling and environmental services are recognized when the services are provided, the price is fixed and collection is reasonably assured. Revenue from pipeline tariffs and fees are based on volumes and rates as the pipeline is being used. Revenue from equipment rentals and non-refundable propane tank fees are recorded in deferred revenue and are recognized in revenue on a straight line basis over the rental period, typically one year.

Excise taxes are reported gross within sales and other operating revenues and taxes other than income taxes, while other sales and value-added taxes are recorded net in operating expenses.

Cost of sales

Cost of sales includes the cost of finished goods inventory (including depreciation, amortization and impairment charges), processing costs, and costs related to transportation and inventory write downs and reversals.

Interest

Interest income and expense is recognized in the statement of operations using the effective interest method.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the statement of operations in the period in which they are incurred.

(tabular amounts in thousands of Canadian dollars, except where noted)

Share capital

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options and other equity awards were exercised or converted into common shares.

Dividends

Dividends on common shares are recognized in the period in which the dividends are approved by the Board.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for resource allocation and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value of assets and liabilities acquired in a business combination

In conjunction with each business combination, the Company must allocate the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition. Determining the fair value of assets and liabilities acquired, as well as intangible assets that relate to such items as customer relationships, brands and contracts involves professional judgment and is ultimately based on acquisition models and management's assessment of the value of the assets and liabilities acquired and, to the extent available, third party assessments. Uncertainties associated with these estimates include changes in production volumes, changes in commodity prices, fluctuations in capacity or product slates, economic obsolescence factors in the area and potential future sources of cash flow. During the measurement period, the fair value of assets acquired and liabilities assumed may be adjusted when the initial accounting for business combination is recorded based on provisional amounts. Although the resolution of these uncertainties has not historically had a material impact on the Company's results of operations or financial condition, the actual amounts may vary significantly from estimated amounts. Any excess of the cost of acquisition over the net fair value of the identifiable assets acquired is recognized as goodwill.

Impairment assessment of non-financial assets

The Company tests annually whether goodwill of an operating segment has suffered any impairment, in accordance with the Company's accounting policy. The recoverable amounts of the operating segments are determined based on fair value less costs of disposal calculations which requires the use of estimates. The Company also assesses at least annually whether there have been any events or changes in circumstances that indicate that property, plant and equipment and other intangible assets

(tabular amounts in thousands of Canadian dollars, except where noted)

may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable.

In the impairment analysis of the Company's assets, some of the key assumptions used in estimating future cash flows include revenue growth, future commodity prices, expected margin, expected sales volumes, cost structures and the outlook of market supply and demand conditions appropriate to the local circumstances and environment. These assumptions and estimates are uncertain and are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Income taxes

The Company is subject to income taxes in Canada and the United States of America. Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires management to make some assumptions as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in statement of operations in the period in which the change occurs.

Fair value of derivatives financial instruments

The Company reflects the fair value of derivative financial instruments based on valuation information from third parties. The calculation of the fair value of certain of these instruments is based on proprietary models and assumptions of third parties because such instruments are not quoted on an active market. Additionally, estimates of fair value may vary among different models due to a difference in assumptions applied, such as the estimate of prevailing market prices, volatility, correlations and other factors, and may not be reflective of the price at which they can be settled due to the lack of a liquid market. As a result of changes in key assumptions, the actual amounts may vary significantly from estimated amounts.

Provisions

Accruals for decommissioning and environmental remediation are recorded when it is considered probable and the costs can be reasonably estimated. A number of factors affect the cost of environmental remediation, including the determination of the extent of contamination, the length of time remediation may require, the complexity of environmental regulations and the advancement of technology. Considering these factors, the Company has estimated the costs of remediation, which will be incurred in future years. The Company believes the provisions made for environmental matters are adequate, however it is reasonably possible that actual costs may differ from the estimated accrual, if the selected methods of remediation do not adequately reduce the contaminates and further remedial action is required. The Company uses third-party environmental evaluators, where possible, to obtain the estimates of decommissioning and environmental provision.

Critical judgements in applying the Company's accounting policies

Identification of cash-generating unit ("CGU")

For the purposes of impairment testing, assets are grouped at the lowest levels of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets, termed as a CGU. The allocation of assets into a CGU requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the operations.

Investment in finance leases

In determining whether certain of the Company's long-term tank storage arrangements are, or contain, a lease, the Company must use judgement in assessing whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys the right to use the assets. For those arrangements considered to be a lease, further judgement is required to determine whether substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company, to appropriately account for the arrangement as a finance or operating lease. These judgements can be significant as to how the Company classifies amounts related to the arrangements as property, plant and equipment or net investment in finance lease on the balance sheet. The Company has determined, based on the terms and conditions of these arrangements, that the substantial risks and rewards to the ownership of certain storage tanks have been transferred to the customer, and accordingly, these storage tanks has been recognized as an investment in finance lease.

Current and deferred taxation

The computation of the Company's income tax expense involves the interpretation of applicable tax laws and regulations in many jurisdictions. The resolution of tax positions taken by the Company can take significant time to complete and in some cases it is difficult to predict the ultimate outcome. In addition, the Company has carry-forward tax losses in certain taxing jurisdictions that are available to offset against future taxable profit. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in statement of operations in the period in which the change occurs. However, deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. To the extent that actual outcomes differ from management's estimates, income tax charges or credits may arise in future periods.

Change in the terms of the credit agreement

The Company incurs costs on the refinancing, replacement and re-pricing of its long-term debt and credit facilities. The treatment of such costs is dependent on the assessment of whether the refinancing, replacement or re-pricing was an extinguishment or a modification of the original loan. In the case of an extinguishment, the costs incurred are charged to statements of operations whereas in the case of a modification, the costs are capitalized as a part of the existing carrying amount of the loan and amortized to statement of operations over the term of the loan using effective interest method. When the terms and conditions of a refinancing, replacement and re-pricing are substantially different, it is generally considered an extinguishment. The assessment requires the exercise of significant judgement involving comparing qualitative and quantities factors of the credit agreement before and after the refinancing, replacement or re-pricing.

4 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

The Company adopted the following amendments to IFRS that were effective for the first time for the financial year beginning on or after January 1, 2013.

IAS 1, Presentation of Financial Statements ("IAS 1") was amended and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application. The adoption of this amendment did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 19, Employee Benefits ("IAS 19") was amended to eliminate the option to defer the recognition of actuarial gains and losses, commonly known as the corridor approach and requires an entity to recognize actuarial gains and losses in Other Comprehensive Income ("OCI") immediately. In addition, the net change in the defined benefit liability or asset must be disaggregated into three components: service cost, net interest and remeasurements. Service cost and net interest continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, recognized in OCI. Furthermore, entities are required to calculate net interest on the net defined benefit liability or asset using the same discount rate used to measure the defined benefit obligation. The amendment also enhances financial statement disclosures. This amended standard is effective for annual periods beginning on or after January 1, 2013, with modified retrospective application. As required, the Company adopted these amendments retrospectively. The Company adjusted its opening equity as at January 1, 2012 to recognize previously unrecognized past service credits and accordingly, on January 1, 2012, December 31, 2012 and December 31, 2013, deficit balance was decreased by approximately $0.6 million and other-long term liabilities were decreased by $0.6 million. The impact on the Company results of operations and earnings per share was not material for the current and comparative year.

IFRS 7, Financial Instruments: Disclosures ("IFRS 7") has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting or similar arrangements. This amendment to IFRS 7 is effective for annual periods beginning on or after January 1, 2013, with retrospective application. The adoption of this amendment resulted in additional disclosures that are included in these consolidated financial statements.

IFRS 10, Consolidated financial statements (‘‘IFRS 10’’) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 10 did not result in any change in the consolidation status of any of the Company’s subsidiaries.

IFRS 11, Joint Arrangements (“IFRS 11”) addresses joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 11 did not result in any changes in the accounting for joint arrangements.

IFRS 12, Disclosure of Interests in Other Entities (‘‘IFRS 12’’) is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 12 resulted in few additional disclosures that are included in these consolidated financial statements.

IFRS 13, Fair Value Measurement (“IFRS 13”) provides for a consistent and less complex definition of fair value, established a single source for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and applies prospectively from the beginning of the annual period in which the standard is adopted. The adoption of IFRS 13 did not require any adjustment to the valuation techniques used by the Company to measure fair value and accordingly, did not result in any measurement adjustment as at January 1, 2013. However, the adoption of IFRS 13 resulted in a few additional disclosures that are presented in note 28.

The annual improvements process addresses issues in the 2009 - 2011 reporting cycle including changes to IFRS 1, ‘First time adoption’, IAS 1, IAS 16, ‘Property plant and equipment’, IAS 32, Financial Instruments: Presentation (“IAS 32”), IAS 34, ‘Interim financial reporting’. These improvements are effective for annual periods beginning on or after January 1, 2013, with retrospective application. The adoption of these amendments did not have any material impact on the Company’s consolidated financial statements.

IAS 36, ‘Impairment of assets’ (“IAS 36”), was amended regarding the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory until January 1, 2014, however the Company has decided to early adopt the amendment as of January 1, 2013. The adoption of this amendment did not have any material impact on the Company’s consolidated financial statements.

New standards and interpretations issued but not yet adopted

IFRS 9, Financial Instruments (“IFRS 9”), addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39, “Financial Instruments: Recognition and Measurements’’ that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

IAS 32 has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014, with retrospective application. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

(tabular amounts in thousands of Canadian dollars, except where noted)

5 Business combinations

The Company did not complete any business combinations in 2013. Information regarding business combinations completed in 2012 is provided below:

Parent holding company of OMNI Energy Services Corp. ("OMNI")

On October 31, 2012, the Company acquired all of the issued and outstanding common stock of OMNI for total cash consideration of $439.7 million including final closing adjustments. OMNI has operations in many major oil and liquids focused areas in the United States with a focus on environmental and production-related activities.

Acquisition-related costs of $2.8 million have been charged to general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2012.

The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair Value
Cash and cash equivalents	$ 6,577
Trade and other receivables	51,978
Inventories	8,835
Income taxes receivable	8,228
Prepaid and other assets	4,159
Property, plant and equipment	150,849
Long-term prepaid expenses and other assets	745
Goodwill	188,414
Intangible assets [1]	125,874
Trade payables and accrued charges	(34,296)
Income taxes payable	(760)
Provisions	(9,930)
Other long-term liabilities	(4,004)
Deferred income tax liabilities	(56,972)
Net assets acquired	$ 439,697

(1) Consists of customer relationships of $111.8 million, brands of $8.5 million, license and permits of $3.1 million, technology assets of $1.0 million, non-compete agreements of $0.3 million and software of $1.2 million.

The goodwill arising on the acquisition is attributable to the Company's broadened footprint in many major oil and liquids focused basins in the United States, the expected growth in the environmental services business in North America, the expansion upon recent acquisitions and new customers in the United States to whom the Company can promote the rest of the Gibson product suite. The goodwill is allocated to the Environmental Services segment, a new operating segment in the year ended December 31, 2012.

Northern Truck Services 1994 Ltd. and All Fluids & Filtration Services Ltd. (collectively "Northern Trucking")

On October 1, 2012, the Company acquired all of the issued and outstanding common shares of Northern Trucking for total cash consideration of $23.2 million. Northern Trucking provides fluid hauling, filtration and completion products to drilling and production companies in Northern Alberta and Northeastern British Columbia.

Acquisition-related costs of $0.1 million have been charged to general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2012.

(tabular amounts in thousands of Canadian dollars, except where noted)

The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair Value
Cash and cash equivalents	$ 1,922
Trade and other receivables	4,619
Inventories	378
Prepaid expenses and other assets	143
Property, plant and equipment	14,481
Goodwill	4,043
Intangible assets (1)	2,313
Trade payables and accrued charges	(1,780)
Deferred income tax liabilities	(2,837)
Net assets acquired	$ 23,282

(1) Consists of customer relationships of $1.7 million and non-compete agreements of $0.6 million.

The goodwill arising on the acquisition of Northern Trucking is attributable to Gibson's ability to take advantage of the growth in the fluid hauling market, with an additional opportunity to support the sales and hauling of Gibson's frac fluids and mud products from its Sexsmith facility. The goodwill is allocated to the Truck Transportation segment.

Other acquisitions

The Company completed the following individually immaterial business combinations during the year ended December 31, 2012:

Name	Acquisition date	Total consideration
Gator Propane Services Inc. ("Gator")	November 27, 2012	$ 3,745
Jalbert Enterprises Ltd ("Jalbert")	September 1, 2012	2,240
Mobile Propane Services Inc. ("Mobile Propane")	July 24, 2012	5,312
Fricken Fracken Water Hauling Ltd. ("Fricken Fracken")	May 1, 2012	4,750
		$ 16,047

Acquisition-related costs of $0.1 million have been charged to general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2012.

The total consideration paid was comprised of the following:

Cash	$ 14,497
Contingent consideration	1,550
Total consideration	$ 16,047

(tabular amounts in thousands of Canadian dollars, except where noted)

The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair value
Cash and cash equivalents	$ 351
Trade and other receivables	1,105
Inventories	92
Prepaid expenses and other assets	186
Property, plant and equipment	5,282
Goodwill	5,274
Intangible assets [(2)]	6,806
Trade payables and accrued charges	(556)
Deferred income tax liabilities	(2,493)
Total	$ 16,047

(1) Under the agreements, the Company is required to pay the former owners of the acquired entities certain cash amounts which are dependent on the achievement of specified gross margins. The maximum undiscounted amount of the contingent consideration under these agreements approximates $1.6 million. The Company has recorded the full amount of the contingent consideration as it expects that the specified gross margin thresholds will be achieved.

(2) Consists of customer relationships of $2.6 million and non-compete agreements of $4.2 million.

Gator, Jalbert and Mobile Propane provide retail propane services to the construction, residential and commercial sectors in Saskatchewan. Goodwill of $3.6 million arising from the acquisitions of Gator, Jalbert and Mobile Propane is attributable to the expected increase in the Company's share of the growing Southeast Saskatchewan marketplace and expected synergies with its existing propane operations within the Propane and NGL Marketing and Distribution segment. The goodwill for these acquisitions is allocated to the Propane and NGL marketing and distribution segment.

Fricken Fracken provides water hauling and transportation services. Goodwill of $1.7 million arising from the acquisition of Fricken Fracken is attributable to the expected expansion of the Company's market presence in west central Saskatchewan and expected synergies with the Company's custom treating and terminal operations. The goodwill arising on this acquisition is allocated to the Truck Transportation segment.

6 Trade and other receivables

	December 31, 2013	December 31, 2012
Trade receivables	$ 583,068	$ 466,651
Allowance for doubtful accounts	(4,092)	(4,603)
Trade receivables - net	578,976	462,048
Derivative financial instruments (note 28)	1,120	5,520
Deposits held as collateral	1,145	1,337
Broker accounts receivable	1,326	5,371
GST receivable	5,967	3,495
Other	4,316	7,072
	$ 592,850	$ 484,843

(tabular amounts in thousands of Canadian dollars, except where noted)

Allowance for doubtful accounts

	Year ended December 31, 2013	2012
Opening balance	$ 4,603	$ 3,009
Additional allowances	1,291	2,611
Receivables written off as uncollectible	(1,866)	(871)
Recoveries	(28)	(120)
Effect of changes in foreign exchange rates	92	(26)
Closing balance	$ 4,092	$ 4,603

7 Inventories

	December 31, 2013	2012
Crude oil	$ 64,423	$ 79,407
Diluent	3,561	3,656
Asphalt	27,825	23,588
Natural gas liquids	34,749	25,103
Wellsite fluids and distillate	13,003	8,584
Spare parts and other	12,858	11,120
	$ 156,419	$ 151,458

The cost of the inventory sold included in cost of sales was $5,631.0 million and $3,954.0 million for the year ended December 31, 2013 and 2012, respectively. There were no inventory write-downs in the years ended December 31, 2013 and 2012.

8 Net investment in finance leases

The following summarizes the Company's net investment in arrangements whereby the Company has entered into fixed term contractual arrangements to allow customers to have dedicated use of certain tanks owned by the Company. These arrangements are accounted for as finance leases:

	December 31, 2013	2012
Total minimum lease payments receivable	$ 363,742	$ 335,229
Residual value	35,182	29,881
Unearned income	(304,923)	(286,431)
	94,001	78,679
Less: current portion	765	549
Net investment in finance lease : non-current portion	$ 93,236	$ 78,130

The minimum lease receivables are expected to be as follows:

2014	$ 22,740
2015	22,740
2016	22,740
2017	22,740
2018	22,740
2019 and later	250,042

(tabular amounts in thousands of Canadian dollars, except where noted)

9 Property, plant and equipment

	Land & Buildings	Pipelines	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2013	$ 94,698	$ 133,706	$ 266,925	$ 337,260	$ 439,645	$ 36,741	$ 1,308,975
Additions	11,627	191	8,474	57,501	17,906	142,762	238,461
Disposals	-	-	(199)	(6,844)	(2,464)	-	(9,507)
Transfer to net investment in finance leases (note 8)	-	-	(15,905)	-	-	-	(15,905)
Reclassifications	6,109	(1,984)	15,722	5,132	68,289	(93,268)	-
Change in decommissioning provision (note 16)	-	(3,553)	(8,844)	-	(8,183)	-	(20,580)
Effect of movements in exchange rates	858	-	774	7,622	9,462	229	18,945
At December 31, 2013	$ 113,292	$ 128,360	$ 266,947	$ 400,671	$ 524,655	$ 86,464	$ 1,520,389
Accumulated depreciation and impairment:							
At January 1, 2013	$ 15,849	$ 34,477	$ 42,998	$ 88,981	$ 87,886	$ -	$ 270,191
Depreciation	4,829	9,102	15,285	46,160	58,478	-	133,854
Disposals	-	-	(83)	(5,396)	(1,696)	-	(7,175)
Effect of movements in exchange rates	28	-	177	2,469	989	-	3,663
At December 31, 2013	$ 20,706	$ 43,579	$ 58,377	$ 132,214	$ 145,657	$ -	$ 400,533
Carrying amounts:							
At January 1, 2013	$ 78,849	$ 99,229	$ 223,927	$ 248,279	$ 351,759	$ 36,741	$ 1,038,784
At December 31, 2013	92,586	84,781	208,570	268,457	378,998	86,464	1,119,856

(tabular amounts in thousands of Canadian dollars, except where noted)

	Land & Buildings	Pipelines	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2012	$ 76,406	$ 100,437	$ 236,173	$ 214,997	$ 292,274	$ 51,624	$ 971,911
Additions	6,789	17,734	15,188	57,462	15,225	64,298	176,696
Additions through business combination (note 5)	9,478	-	2,200	71,326	84,265	3,343	170,612
Disposals	(31)	-	(454)	(5,668)	(379)	-	(6,532)
Transfer to net investment in finance leases (note 8)	-	-	(13,833)	-	(21,338)	-	(35,171)
Reclassifications	2,105	10,431	14,858	892	54,222	(82,508)	-
Change in decommissioning provision (note 16)	-	5,104	12,994	-	16,065	-	34,163
Effect of movements in exchange rates	(49)	-	(201)	(1,749)	(689)	(16)	(2,704)
At December 31, 2012	$ 94,698	$ 133,706	$ 266,925	$ 337,260	$ 439,645	$ 36,741	$ 1,308,975
Accumulated depreciation and impairment:							
At January 1, 2012	$ 11,540	$ 26,624	$ 29,318	$ 60,916	$ 54,422	$ -	$ 182,820
Depreciation	4,328	7,853	13,831	32,216	33,744	-	91,972
Disposals	(16)	-	(118)	(3,817)	(235)	-	(4,186)
Effect of movements in exchange rates	(3)	-	(33)	(334)	(45)	-	(415)
At December 31, 2012	$ 15,849	$ 34,477	$ 42,998	$ 88,981	$ 87,886	$ -	$ 270,191
Carrying amounts:							
At January 1, 2012	$ 64,866	$ 73,813	$ 206,855	$ 154,081	$ 237,852	$ 51,624	$ 789,091
At December 31, 2012	78,849	99,229	223,927	248,279	351,759	36,741	1,038,784

Additions to property, plant and equipment includes capitalization of interest of $2.9 million and $1.9 million for the year ended December 31, 2013 and 2012, respectively.

At December 31, 2013 and 2012, the carrying value includes $2.3 million and $4.4 million of assets capitalized under finance lease, respectively.

As a part of the annual review of the estimates of useful lives of property, plant and equipment, the Company revised estimated useful lives of certain property, plant and equipment. As a result, the Company recorded additional depreciation expense of $4.2 million in the year ended December 31, 2013.

10 Long-term prepaid expenses and other assets

	December 31, 2013	December 31, 2012
Long-term prepaid expenses	$ 442	$ 684
Derivative financial instruments (note 28)	15,646	2,476
Post-retirement benefit assets	1,058	1,087
Other assets	2,494	1,647
	$ 19,640	$ 5,894

(tabular amounts in thousands of Canadian dollars, except where noted)

11 Income tax

The major components of income tax are as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Current tax provision		
Current tax on income for the year	$ 51,339	$ 26,522
Adjustments in respect of prior years	735	(317)
Total current tax provision	52,074	26,205
Deferred tax provision (recovery)	(10,848)	5,113
Origination and reversal of temporary differences	(4,321)	809
Total deferred tax provision (recovery)	(15,169)	5,922
Income tax provision	$ 36,905	$ 32,127

The income tax provision differs from the amounts which would be obtained by applying the Canadian statutory income tax rate to income before income taxes. These differences result from the following items:

	Year ended December 31, 2013	Year ended December 31, 2012
Income before income taxes	$ 140,721	$ 148,313
Statutory income tax rate	25.2%	25.0%
Computed income tax provision	35,462	37,078
Increase (decrease) in income tax resulting from:		
Foreign exchange loss (gain) on long-term debt, net	4,026	(6,582)
Non-deductible expenses	1,568	908
Stock based compensation	2,091	964
Non-taxable dividends	(11,159)	(4,794)
Other, including revisions in previous tax estimates and rate reductions	1,839	2,568
Rate differential on foreign taxes	3,078	1,985
	$ 36,905	$ 32,127
Effective income tax rate	26.2%	21.7%
Current	52,074	26,205
Deferred	(15,169)	5,922
	$ 36,905	$ 32,127

The increase in the statutory rate was due to higher local income tax rates in Canada in the current year.

The income tax provision relating to actuarial gain on post-employment benefit obligation recognized in other comprehensive income was $0.4 million for the year ended December 31, 2013. The income tax recovery relating to actuarial loss on post-employment benefit obligation recognized in other comprehensive income was $0.4 million for the year ended December 31, 2012. The income tax adjustment to equity in the year ended December 31, 2012 was $4.0 million relating to the impact of the deductibility of expenses incurred on the issuance of common shares.

(tabular amounts in thousands of Canadian dollars, except where noted)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	December 31, 2013	December 31, 2012
Deferred tax assets:		
Deferred tax asset to be settled after more than 12 months	$ 4,487	$ 9,060
Deferred tax asset to be settled within 12 months	3,700	-
	8,187	9,060
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months	184,605	203,916
Deferred tax liability to be settled within 12 months	9,500	2,200
	194,105	206,116
Deferred tax liabilities (net)	$ 185,918	$ 197,056

The gross movement on the deferred income tax account is as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Opening balance	$ 197,056	$ 133,417
Effect of changes in foreign exchange rates	3,644	(211)
Recognized on business combinations (note 5)	-	62,302
Income statement provision (recovery)	(15,169)	5,922
Tax credit relating to components of other comprehensive income	387	(351)
Tax credited directly to equity	-	(4,023)
Closing balance	$ 185,918	$ 197,056

The movement in the significant components of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Non-capital losses carried forward	Asset retirement obligations	Retirement benefits obligations	Other	Total
At January 1, 2012	$ 27,580	$ 5,585	$ 2,802	$ 30,488	$ 66,455
Credited (charged) to the statement of operations	(5,309)	1,542	(1,091)	(7,672)	(12,530)
Credited to other comprehensive income	-	-	351	-	351
Credited directly to equity	-	-	-	4,023	4,023
Business combinations	-	3,755	-	1,244	4,999
Effect of changes in foreign exchange rates	-	-	-	211	211
At December 31, 2012	$ 22,271	$ 10,882	$ 2,062	$ 28,294	$ 63,509
Credited (charged) to the statement of operations	(2,291)	1,360	(195)	(6,066)	(7,192)
Charged to other comprehensive income	-	-	(387)	-	(387)
Effect of changes in foreign exchange rates	1,513	269	-	(1,186)	596
At December 31, 2013	$ 21,493	$ 12,511	$ 1,480	$ 21,042	$ 56,526

(tabular amounts in thousands of Canadian dollars, except where noted)

Deferred tax liabilities	**Timing of Partnership Income**	**Property, Plant and Equipment**	**Accounting and tax basis differences**	**Other**	**Total**
At January 1, 2012	$ (66,655)	$(102,867)	$ (29,785)	$ (565)	$ (199,872)
Credited (charged) to the statement of operations	5,269	(7,560)	10,027	(1,128)	6,608
Business combinations	-	(43,625)	(23,676)	-	(67,301)
At December 31, 2012	$ (61,386)	$(154,052)	$ (43,434)	$ (1,693)	$ (260,565)
Credited (charged) to the statement of operations	13,918	2,243	4,507	1,693	22,361
Effect of changes in foreign exchange rates	-	(4,240)	-	-	(4,240)
At December 31, 2013	$ (47,468)	$(156,049)	$ (38,927)	$ -	$ (242,444)

Income tax losses carry forward

At December 31, 2013 and December 31, 2012, the Company had losses available to offset income for tax purposes of $60.5 million and $60.3 million, respectively. At December 31, 2013, the Company has $7.1 million and $53.4 million of the losses available in Canada and the United States, respectively that expire as follows:

December 31, 2028	$ 49
December 31, 2029	141
December 31, 2030	1,861
December 31, 2031	45,543
December 31, 2032	8,722
December 31, 2033	4,177
	$ 60,493

No income tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries. As no income taxes are expected to be paid in respect of these differences related to Canadian subsidiaries, the amounts have not been determined. There are no taxable temporary differences associated with investments in non-Canadian subsidiaries.

(tabular amounts in thousands of Canadian dollars, except where noted)

12 Intangible assets

	Brands	Customer relationships	Long-term Contracts	Non-compete agreements	Technology	Software	License and Permits	Total
Cost:								
At January 1, 2013	$ 49,881	$ 226,364	$ 32,712	$ 22,945	$ 2,516	$ 19,470	$ 3,074	$ 356,962
Additions	-	-	-	-	-	8,333	162	8,495
Effect of movements in exchange rates	584	8,732	1,941	423	63	108	212	12,063
At December 31, 2013	$ 50,465	$ 235,096	$ 34,653	$ 23,368	$ 2,579	$ 27,911	$ 3,448	$ 377,520
Accumulated amortization:								
At January 1, 2013	$ 18,280	$ 70,900	$ 10,515	$ 13,934	$ 1,651	$ 7,073	$ 171	$ 122,524
Amortization	9,694	29,396	3,698	3,142	317	2,858	1,098	50,203
Effect of movements in exchange rates	168	1,182	588	392	12	13	43	2,398
At December 31, 2013	$ 28,142	$ 101,478	$ 14,801	$ 17,468	$ 1,980	$ 9,944	$ 1,312	$ 175,125
Carrying amounts:								
At January 1, 2013	$ 31,601	$ 155,464	$ 22,197	$ 9,011	$ 865	$ 12,397	$ 2,903	$ 234,438
At December 31, 2013	22,323	133,618	19,852	5,900	599	17,967	2,136	202,395

	Brands	Customer relationships	Long-term Contracts	Non-compete agreements	Technology	Software	License and Permits	Total
Cost:								
At January 1, 2012	$ 41,425	$ 111,093	$ 33,336	$ 17,923	$ 1,600	$ 12,775	$ -	$ 218,152
Additions	-	-	-	-	-	5,502	-	5,502
Additions through business combination (note 5)	8,496	116,133	-	5,152	920	1,203	3,089	134,993
Effect of movements in exchange rates	(40)	(862)	(624)	(130)	(4)	(10)	(15)	(1,685)
At December 31, 2012	$ 49,881	$ 226,364	$ 32,712	$ 22,945	$ 2,516	$ 19,470	$ 3,074	$ 356,962
Accumulated amortization:								
At January 1, 2012	$ 13,544	$ 50,020	$ 7,033	$ 11,407	$ 1,313	$ 4,920	$ -	$ 88,237
Amortization	4,735	20,989	3,596	2,654	338	2,156	171	34,639
Effect of movements in exchange rates	1	(109)	(114)	(127)	-	(3)	-	(352)
At December 31, 2012	$ 18,280	$ 70,900	$ 10,515	$ 13,934	$ 1,651	$ 7,073	$ 171	$ 122,524
Carrying amounts:								
At January 1, 2012	$ 27,881	$ 61,073	$ 26,303	$ 6,516	$ 287	$ 7,855	$ -	$ 129,915
At December 31, 2012	31,601	155,464	22,197	9,011	865	12,397	2,903	234,438

As a part of the annual review of the estimates of useful lives of intangible assets, the Company revised estimated useful life of a certain brand. As a result, the Company recorded additional amortization expense of $0.7 million in the year ended December 31, 2013. The revision in estimate of useful life of this brand will result in additional amortization expense of $3.5 million per year for years 2014 and 2015.

(tabular amounts in thousands of Canadian dollars, except where noted)

13 Goodwill

The changes in the carrying amount of goodwill are as follows:

	Year ended December 31, 2013	2012
Balance as at January 1	$ 709,358	$ 513,747
Additions through business combinations (note 5)	-	197,731
Effect of changes in foreign exchange rates	16,790	(2,120)
Balance as at December 31	$ 726,148	$ 709,358

The goodwill recorded on the balance sheet represents the excess of the cost of acquisitions over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Of the balance as at December 31, 2013, $432.7 million, net of impairment, relates to goodwill recognized on the acquisition of the Company by the wholly-owned subsidiary of R/C Guitar Cooperatief U.A. (“Co-op”), a Dutch Co-op owned by investment funds affiliated with Riverstone Holdings LLC (“Riverstone”), from Hunting PLC (“Hunting”) on December 12, 2008. Of the remaining balance, $279.9 million represents additional goodwill recorded on acquisitions completed and $13.5 million relates to the effect of changes in foreign exchange rates recorded by the Company since December 12, 2008.

Goodwill is monitored for impairment by management at the operating segment level. The following is a summary of goodwill allocated to each operating segment:

	December 31, 2013	2012
Terminals and Pipelines	$ 199,972	$ 199,867
Truck Transportation	51,388	49,178
Environmental Services	216,542	203,593
Propane and NGL Marketing and Distribution	97,027	95,501
Processing and Wellsite Fluids	117,664	117,664
Marketing	43,555	43,555
	$ 726,148	$ 709,358

The recoverable amount of goodwill has been determined based on a fair value less costs of disposal calculation. This calculation involves comparing the fair value of each operating segment to its carrying value, including goodwill, at November 30, the annual impairment test date. To calculate a fair value, management uses an earning’s multiple approach. In calculating earnings, the Company uses Board approved budgets to determine earnings before interest, taxes, depreciation and amortization (“EBITDA”) by operating segment. Corporate expenses are allocated to the operating segments based on assumptions such as expected usage and headcount. To determine fair value, an implied multiple was applied to each operating segment’s EBITDA less corporate expenses. The implied multiple was calculated by looking at multiples of comparable public companies by operating segment and ranged from 6.3 to 12.5 in the 2013 annual impairment test. For all operating segments, the fair value less costs of disposal was greater than the operating segments carrying value, including goodwill. Accordingly, goodwill is not considered impaired in the years ended December 31, 2013 and 2012. The fair value of each of operating segment was categorized as Level 2 fair value based on the observables inputs.

(tabular amounts in thousands of Canadian dollars, except where noted)

14 Loans and Borrowings

Revolving Credit Facility

On June 28, 2013, the Company established a revolving credit facility of $500.0 million (the "Revolving Credit Facility"), the proceeds of which are available to provide financing for working capital and other general corporate purposes. The Revolving Credit Facility has a term of five years, expiring on June 28, 2018. In connection with the Revolving Credit Facility, the Company incurred transaction costs of approximately $2.1 million which were capitalized as prepaid expenses and other assets.

The Revolving Credit Facility provides sub–facilities for letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the Revolving Credit Facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or U.S. LIBOR or Canadian Bankers Acceptance Rate as the case may be plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company's total debt leverage ratio. In addition, the Company must pay a standby fee on the unused portion of the Revolving Credit Facility and customary letter of credit fees based on the Company's total debt leverage ratio.

The Revolving Credit Facility contains certain covenants including financial covenants, as defined in the agreement, that require the Company to maintain ratios of maximum senior debt leverage ratio of 3.5:1.0, maximum total debt leverage ratio of 5.0:1.0 and minimum interest coverage ratio of 2.5:1.0. As at December 31, 2013, the Company was in compliance with all covenants under the Revolving Credit Facility.

As at December 31, 2012, the Company had a previous credit facility of up to U.S.$375.0 million which was terminated on June 28, 2013 concurrent with the establishment of the Revolving Credit Facility.

The Company has no amounts drawn against the Revolving Credit Facility as at December 31, 2013. The Company had $31.8 million drawn against the previous revolving credit facility as at December 31, 2012. The Company had issued letters of credit totalling $57.4 million and $90.4 million as at December 31, 2013 and December 31, 2012, respectively.

The Revolving Credit Facility is secured by substantially all of the Company's property, plant and equipment, intangibles and current assets, including inventory and trade receivables and is guaranteed by substantially all of the Company's existing wholly owned subsidiaries.

Long-term debt

Long-term debt consists of the following:

	December 31,	
	2013	**2012**
6.75% Notes due July 15, 2021	$ 531,800	$ -
7.00% Notes due July 15, 2020	250,000	-
Tranche B Term Loan	-	641,835
Unamortized issue discount and debt issue costs	(24,234)	(24,755)
Unamortized financial instrument liability discount	-	(10,936)
	757,566	606,144
Less: current portion	-	6,467
Long-term debt: non-current portion	$ 757,566	$ 599,677

On June 28, 2013, the Company issued U.S.$500.0 million 6.75% Senior Unsecured Notes due July 15, 2021 at issue price of 98.476% and $250.0 million 7.00% Senior Unsecured Notes due July 15, 2020 at issue price of 98.633% (collectively, the "Notes"). Interest is payable semi–annually on January 15 and July 15 of each year the Notes are outstanding. In connection with the issuance of the Notes, the Company incurred and capitalized debt discount and issue costs of $25.5 million which were recorded as a deduction to the carrying amount of the long-term debt. The proceeds from the Notes were used to repay the outstanding Tranche B Term Loan in an aggregate principal amount of U.S.$643.5 million.

(tabular amounts in thousands of Canadian dollars, except where noted)

The Notes agreement contains certain redemption options whereby the Company can redeem all or part of the Notes at prices set forth in the agreement from proceeds of equity offering or following certain dates specified in the agreement. In addition, the Note holders have the right to require the Company to redeem the Notes or a portion thereof, at the redemption prices set forth in the agreement in the event of change in control or in the event certain asset sale proceeds are not re-invested in the time and manner specified in the agreement.

As at December 31, 2012, the Company had a senior secured first lien term loan facility (“Tranche B Term Loan”) in the aggregate principal amount of U.S.$650.0 million. The Tranche B Term Loan had a term expiring on June 15, 2018 and was repayable in equal quarterly installments at the end of each quarter, totalling 1% per annum of the principal with the remaining balance to be paid at the end of the term. The Tranche B Term Loan accrued interest at the option of the Company at a rate equal to LIBOR plus 3.75%, subject to a minimum Adjusted LIBOR interest rate floor of 1.0% or base rate plus 2.75%, subject to a minimum base rate interest rate floor of 2.0%. This interest rate floor was considered an embedded derivative as the floor rate exceeded the market rate of interest at the time that the Trance B Term Loan was incurred. As a result, the interest rate floor derivative was required to be separated from the carrying value of long-term debt and accounted for as a separate financial liability initially measured at fair value and marked to market at each reporting date (note 28).

Debt extinguishment and modification

Concurrent with the completion of the issuance of the Notes and the establishment of the Revolving Credit Facility, the Company terminated its previous senior secured first lien credit facility which comprised of the Tranche B Term Loan facility of U.S.$650.0 million and a revolving credit facility of up to U.S.$375.0 million. As a result, the Company recognised debt extinguishment expenses of $38.2 million comprising unamortized debt issue costs of $22.8 million, unamortized financial instrument liability discount of $10.0 million and unamortized financing costs of $5.4 million in 2013.

In the year ended December 31, 2012, the Company replaced and re-priced its previous term loan facility with the Tranche B Term Loan whereby the previous loan was re-priced to reflect a decrease in the interest rate of 0.75% and a decrease in the interest rate floor of 0.25%. The Company determined that the terms of the old and new loan were not substantially different, including the change in the net present value of cash flows and accordingly, the replacement and re-pricing transaction was not accounted for as a debt extinguishment. As a result, in the year ended December 31, 2012, the Company capitalized $10.1 million relating to the replacement and re-pricing that consisted of a prepayment penalty on the repayment of the old loan of $6.5 million, an original issue discount of $3.3 million and other fees of $0.4 million.

Foreign exchange gain (loss) on long-term debt

As a result of the movement in foreign exchange rates, the Company recorded foreign exchange gains and losses on long-term debt as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Foreign exchange loss (gain) on movement in exchanges rates on U.S. dollar long-term debt	$ 42,451	$ (14,424)
Loss (gain) on financial instruments relating to long-term debt (note 28)	(22,500)	509
	$ 19,951	$ (13,915)

(tabular amounts in thousands of Canadian dollars, except where noted)

15 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	December 31, 2013	December 31, 2012
Trade payables	$ 437,724	$ 356,388
Accrued compensation charges	36,591	30,156
GST payable	1,980	1,843
Derivative financial instruments (note 28)	2,465	11,790
Broker accounts payable	2,610	3,118
Post-retirement benefit obligations	825	1,121
Interest payable	27,894	595
Due to Hunting (note 19)	9,199	26,525
Other	45,891	35,688
	$ 565,179	$ 467,224

16 Provisions

The aggregate carrying amounts of the obligation associated with decommissioning and site restoration on the retirement of assets and environmental costs are as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Balance as at January 1	$ 111,197	$ 66,471
Settlements	(3,305)	(1,197)
Assumed in a business combination (note 5)	-	9,930
Additions	2,032	4,773
Change in estimated future cash flows	705	19,782
Effect of changes in foreign exchange rates	732	(61)
Change in discount rate	(23,317)	9,608
Unwinding of discount	3,380	1,891
Balance as at December 31	$ 91,424	$ 111,197

The Company currently estimates the total undiscounted future value amount, including an inflation factor of 2%, of estimated cash flows to settle the future liability for asset retirement and remediation obligations to be approximately $228.9 million and $235.8 million at December 31, 2013 and 2012, respectively. In order to determine the current provision related to these future values, the estimated future values were discounted using an average risk-free rate of 3.1% and 2.4% at December 31, 2013 and 2012, respectively. The provision is expected to be settled up to 40 years into the future. A one percent increase in the risk-free rate would decrease the provision by $21.5 million, with a corresponding adjustment to property, plant and equipment. A one percent decrease in the risk-free rate would increase the provision by $21.5 million, with a corresponding adjustment to property, plant and equipment.

17 Other long-term liabilities

	December 31, 2013	December 31, 2012
Post-retirement benefit obligations	$ 6,086	$ 7,591
Derivative financial instruments (note 28)	5,046	17,409
Finance lease liabilities	345	1,262
Other	4,010	4,122
	$ 15,487	$ 30,384

(tabular amounts in thousands of Canadian dollars, except where noted)

18 Share capital

Authorized

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

Holders of common shares are entitled to one vote per common share at meetings of shareholders of the Company, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of the Company upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the common shares.

The preferred shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine. The preferred shares shall rank senior to the common shares with respect to the payment of dividends or distribution of assets or return of capital of the Company in the event of a dissolution, liquidation or winding up of the Company. There were no issued and outstanding preferred shares as at December 31, 2013 and 2012.

Common Shares - Issued and outstanding

The following table below sets forth the issued and outstanding common shares for the years ended December 31, 2013 and 2012.

	Common Shares	
	Number of Common Shares	Amount
Balance as at January 1, 2012	97,335,641	$ 1,082,990
Issuance of common shares, less issuance costs, net of tax	18,216,000	390,229
Issuance of common shares in connection with the exercise of stock options	2,149,941	18,576
Issuance of common shares in connection with other equity awards	573,400	-
Issuance of common shares in connection with the dividend reinvestment plans	1,848,548	37,555
Transfer from contributed surplus on issue of equity awards	-	13,799
Balance as at December 31, 2012	120,123,530	$ 1,543,149
Issuance of common shares in connection with the exercise of stock options	135,340	1,169
Issuance of common shares in connection with other equity awards	375,976	-
Issuance of common shares in connection with the dividend reinvestment plans	1,565,346	37,389
Transfer from contributed surplus on issue of equity awards	-	3,438
Balance as at December 31, 2013	122,200,192	$ 1,585,145

On October 29, 2012, the Company closed a bought deal offering of subscription receipts which on closing of the acquisition of OMNI were automatically exchanged into common shares of the Company. As a result, the Company issued 18,216,000 common shares at a price of $22.10 per common shares for gross proceeds of approximately $402.6 million. The Company incurred issuance costs, including the underwriters' discount, of $16.4 million, offset in part by a tax benefit of $4.0 million relating to the deductibility of issuance costs. The net proceeds were used to finance a portion of the purchase price of OMNI.

A dividend of $0.275 per share, declared in November 2013, was paid on January 17, 2014.

(tabular amounts in thousands of Canadian dollars, except where noted)

19 Commitments and contingencies

Commitments

Operating lease obligations primarily relate to office leases, rail tank cars, vehicles, field buildings, various equipment and terminal services arrangements. These leases expire at various dates over the next 10 years. The minimum payments required under these commitments, net of sub-lease income, are as follows:

2014	$ 45,478
2015	44,228
2016	41,055
2017	34,753
2018	29,013
2019 and later	34,419
	$ 228,946

Expenses related to operating leases, net of sublease income, were $28.2 million and $22.9 million for the year ended December 31, 2013 and 2012, respectively.

Finance lease liabilities primarily relates to trucks and trailers and are for the non-cancellable term ranging from 1 to 2 years with a favourable bargain purchase option at the end of the term. The minimum lease payments are expected to be as follows:

2014	$ 948
2015	360
	$ 1,308

With respect to capital expenditures, at December 31, 2013, the Company had $261.5 million remaining to be spent that relate to projects approved at that date.

Contingencies

The Company is currently undergoing income tax related and excise tax audits. While the final outcome of such audits cannot be predicted with certainty, it is the opinion of management that the resolution of these audits will not have a material impact on the Company’s consolidated financial position or results of operations.

As a part of the acquisition of the Company by Riverstone from Hunting on December 12, 2008, Hunting has indemnified the Company for the pre-closing period impact of these audits. Included in income tax receivable and trade payables and accrued charges as at December 31, 2013 and December 31, 2012 is $9.2 million and $26.5 million, respectively, whereby Hunting paid the Company and the Company paid the tax assessments relative to certain of these audits. In the year ended December 31, 2013, the Company received a refund of income tax totalling $17.3 million that was ultimately refunded to Hunting. The Company has assumed that the remaining assessment amounts paid in connection with these audits will be refunded to the Company and although the timing is uncertain, will be settled within a year.

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to the contractual agreements and management decisions, result in the recognition of estimated decommissioning provisions. Estimates of decommissioning costs can change significantly based on such factors as operating experience and changes in legislation and regulations.

The Company is involved in various legal actions, which have occurred in the ordinary course of business. Management is of the opinion that losses, if any, arising from such legal actions would not have a material impact on the Company’s consolidated financial position or results of operations.

(tabular amounts in thousands of Canadian dollars, except where noted)

20 Revenue

	Year ended December 31, 2013	2012
Products	$ 5,998,769	$ 4,196,663
Services	941,900	716,366
	$ 6,940,669	$ 4,913,029

21 Depreciation and amortization

	Year ended December 31, 2013	2012
Depreciation of property, plant and equipment	$ 133,854	$ 91,972
Amortization of intangible assets	50,203	34,639
	$ 184,057	$ 126,611

Depreciation of property, plant and equipment and amortization of intangible assets have been expensed as follows:

	Year ended December 31, 2013	2012
Cost of sales	$ 179,620	$ 122,745
General and administrative	4,437	3,866
	$ 184,057	$ 126,611

22 Employee salaries and benefits

	Year ended December 31, 2013	2012
Salaries and wages	$ 255,697	$ 150,552
Post-employment benefits	5,568	5,501
Share based compensation	8,271	3,856
Termination benefits	746	1,416
	$ 270,282	$ 161,325

Employee salaries and benefits have been expensed as follows:

	Year ended December 31, 2013	2012
Cost of sales	$ 241,568	$ 138,594
General and administrative	28,714	22,731
	$ 270,282	$ 161,325

(tabular amounts in thousands of Canadian dollars, except where noted)

23 Other operating income

	Year ended December 31, 2013	Year ended December 31, 2012
Gain on sale of property, plant and equipment	$ 1,029	$ 1,803
Foreign exchange gain	5,547	6,564
	$ 6,576	$ 8,367

24 Per share amounts

The following table shows the number of shares used in the calculation of earnings per share:

	Year ended December 31, 2013	Year ended December 31, 2012
Weighted average common shares outstanding - Basic	121,376,222	102,812,328
Dilutive effect of:		
Stock options and other awards	1,708,187	2,700,369
Weighted average common shares – Diluted	123,084,409	105,512,697

25 Related party transactions

Management and registration rights agreements

On March 27, 2012, the Company completed a secondary offering of common shares of the Company held by Co-op, pursuant to which Co-op sold 28,107,782 common shares at a price of $20.70 per common share for total gross proceeds to Co-op of $581.8 million. The Company and Co-op also had an agreement to govern the sale of common shares held by Co-op and its affiliates. The agreement contained customary registration, expense reimbursement and indemnity terms. In connection with the agreement, the Company incurred professional fees relating to the secondary offerings of common shares of $0.2 million in the year ended December 31, 2012. The agreement expired on closing of the secondary offering on March 27, 2012 and accordingly, no expenses have been incurred since that date. As a result of the secondary offering, Co-op and Riverstone no longer hold any common shares of the Company as at March 27, 2012.

Sale and purchase of goods and services

	Year ended December 31, 2013	Year ended December 31, 2012
Sale of goods and services		
Principal shareholder having controlling/significant interest	$ -	$ 226
Associates	-	205
Purchase of goods and services		
Principal shareholder having controlling/significant interest	$ -	$ 46,185

The related party transactions noted above were measured at the exchange amount and only for the period in which they were considered related.

Joint operations

On August 11, 2011, the Company formed a partnership (the “Plato Partnership”) to jointly construct and own pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The Plato Partnership commenced operations in 2012. The Company’s interest in the Plato Partnership is 50%. A member of the Company’s Board is also a director of the other party with the 50% interest in the Plato Partnership. At December 31, 2013 and 2012, the Company’s proportionate share of property, plant and equipment was $10.5 million and $9.8 million, respectively. The impact of the Company’s share of the other financial position and results of the Partnership is not material to the Company’s consolidated financial statements.

(tabular amounts in thousands of Canadian dollars, except where noted)

Compensation of key management

Key management includes the Company's directors, executive officers, business unit leaders and other non-business unit senior vice presidents. Compensation awarded to key management was:

	Year ended December 31, 2013	Year ended December 31, 2012
Salaries and short-term employee benefits	$ 6,079	$ 6,597
Post-employment benefits	817	875
Share based compensation	2,696	1,435
Termination benefits	-	270
	$ 9,592	$ 9,177

26 Post-retirement benefits

Defined benefit plans

The company maintains a funded defined benefit pension plan and an unfunded defined benefit other post-retirement benefits plan ("OPRB").

The Company's defined benefit pension plans are funded based upon the advice of independent actuaries. The Company is required to file an actuarial valuation of its pension plans with the provincial regulator every three years, with the most recent actuarial valuation filing as at December 31, 2012. Based on the actuarial valuations as at December 31, 2013 and 2012, the status of the defined benefit plans was as follows:

Accrued benefit obligation

	Year ended December 31,			
	2013		2012	
	Pension	OPRB	Pension	OPRB
Accrued benefit obligation, beginning of year	$ 14,736	$ 3,996	$ 13,003	$ 3,508
Current service cost	323	506	509	246
Interest cost	558	155	568	152
Benefits paid	(500)	(261)	(490)	(259)
Actuarial loss (gain)	56	(791)	1,132	349
Other	14	-	14	-
Accrued benefit obligation, end of year	$ 15,187	$ 3,605	$ 14,736	$ 3,996

Plan assets

	Year ended December 31,			
	2013		2012	
	Pension	OPRB	Pension	OPRB
Fair value of pension plan assets, beginning of year	$ 11,107	$ -	$ 10,472	$ -
Interest on plan assets	394	-	574	-
Actual contributions	1,142	261	474	259
Actual benefits paid	(500)	(261)	(490)	(259)
Actuarial gain	796	-	77	-
Fair value of pension plan assets, end of year	$ 12,939	$ -	$ 11,107	$ -

(tabular amounts in thousands of Canadian dollars, except where noted)

Accrued benefit liability

	December 31,			
	2013		2012	
	Pension	OPRB	Pension	OPRB
Accrued benefit obligation	$ (15,187)	$ (3,605)	$ (14,736)	$(3,996)
Fair value of plan assets	12,939	-	11,107	-
Accrued benefit liability	$ (2,248)	$ (3,605)	$ (3,629)	$(3,996)

The significant weighted average actuarial assumptions adopted in measuring the Company's post-retirement benefit obligation are as follows:

	Year ended December 31,	
	2013	2012
Discount rate	4.75%	4.00%
Rate of compensation increase	4.00%	5.00%
Health care cost trend rate for next year	7.0%	7.0%

Assumed discount rate and health care cost and trend rates have an effect on the amounts reported for post-retirement obligation. A one-percentage point change in discount rate and assumed health care cost and trend rates would have the following impact:

	One % point increase	One % point decrease
Discount rate effect on post-retirement benefit obligation	$ (2,649)	$ 2,767
Health care cost and trend rates effect on post retirement benefit obligation	481	(379)

Defined contribution pension plan

The Company operates defined contribution plans whereby, in some cases, contributions made by participants are matched by the Company up to specified annual limits and in other cases, contributions are fully funded by the Company. The total expense recorded for the defined contribution pension plans was $5.0 million and $4.6 million for the year ended December 31, 2013 and 2012, respectively.

27 Share based compensation

The Company has established an equity incentive plan (the ''2011 Equity Incentive Plan'') which permits the award of stock options, RSUs, PSUs' and DSUs for executives, directors, employees and consultants of the Company. RSUs give the holder the right to receive a cash payment, subject to consent of the Board, or its equivalent in fully paid common shares equal to the fair market value of the Company's common shares at the date of such payment. The RSUs granted in 2013 and 2012 were expected to be settled by delivery of common shares and accordingly, were considered an equity–settled award for accounting purposes. RSUs granted generally vest over a three year period. RSUs granted with specific performance criteria are designated as PSUs. DSUs are similar to PSUs except that DSUs may not be redeemed until the holder ceases to hold all offices, employment and directorships.

At the Company's Annual General Meeting held on May 8, 2013, the Company's shareholders approved the amendment to its 2011 Equity Incentive Plan to fix the number of common shares reserved for issuance under the plan at a maximum of 10% of the total number of common shares issued and outstanding at any given time. At December 31, 2013, awards available to grant under the amended 2011 Equity Incentive Plan totalled approximately 9.2 million.

(tabular amounts in thousands of Canadian dollars, except where noted)

A summary of stock options activity under the 2011 Equity Incentive Plan is as follows:

	Number of Shares	Weighted-Average Exercise Price (in dollars)
Balance at January 1, 2012	3,402,246	$ 8.64
Granted	96,226	21.24
Exercised	(2,149,941)	8.64
Forfeited	(54,389)	8.64
Balance at December 31, 2012	1,294,142	$ 8.66
Granted	798,233	25.87
Exercised	(135,340)	8.64
Forfeited	(28,050)	24.88
Balance at December 31, 2013	1,928,985	$ 16.22
Vested and exercisable at December 31, 2013	1,076,097	$ 9.33
Vested and exercisable at December 31, 2012	1,142,648	$ 8.66

Additional information under the 2011 Equity Incentive Plan regarding stock options outstanding as of December 31, 2013 is as follows:

Outstanding			Exercisable		
Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercise Price (in dollars)	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Exercise Price (in dollars)
1,057,818	5.0	$ 8.64	1,031,676	5.0	$ 8.64
4,750	4.6	16.10	3,167	4.6	16.10
52,012	5.3	20.67	23,748	5.3	20.67
40,164	5.5	22.03	13,388	5.5	22.03
27,068	5.3	24.44	-	-	-
747,173	6.2	25.94	4,118	0.5	25.94
1,928,985	6.0		1,076,097	6.0	

A summary of RSUs, PSUs and DSUs activity is set forth below:

	Number of Shares		
	RSUs	PSUs	DSUs
Balance at January 1, 2012	1,408,319	1,604	42,889
Granted	120,369	88,776	2,067
Forfeited	(87,125)	(12,229)	-
Issued	(571,525)	(1,875)	-
Balance at December 31, 2012	870,038	76,276	44,956
Granted	246,604	155,478	50,065
Forfeited	(15,145)	(6,504)	-
Issued	(373,886)	(2,090)	-
Balance at December 31, 2013	727,611	223,160	95,021
Vested, Balance at December 31, 2013	114,345	-	73,599
Vested, Balance at December 31, 2012	85,364	-	20,009

Stock based compensation expense was $8.3 million and $3.9 million for the years ended December 31, 2013 and 2012, respectively, and is included in general and administrative expenses.

(tabular amounts in thousands of Canadian dollars, except where noted)

The fair value of the options granted was estimated at $2.40 per option and $1.97 per option for the year ended December 31, 2013 and 2012, respectively. The fair value of options was calculated by using the Black-Scholes model with the following weighted average assumptions:

	Year ended December 31, 2013	2012
Expected dividend rate	4.0%	4.7%
Expected volatility	20.2%	21.5%
Risk-free interest rate	1.2%	1.2%
Expected life of option (years)	3.0	3.0

The fair value of RSUs, PSUs and DSUs was determined using the five days weighted average stock price on the date of grant.

28 Financial instruments

Non-Derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, net investment in finance lease, trade payables and accrued charges, amount borrowed under the credit facilities, dividends payable, long-term debt and finance lease liabilities.

Cash and cash equivalents, trade and other receivables, trade payables and accrued charges, dividends payable and amount borrowed under the credit facilities are recorded at amortized cost which approximates fair value due to the short term nature of these instruments.

Long-term debt is recorded at amortized cost using the effective interest method of amortization. As at December 31, 2013, the carrying amount of long-term debt was $781.8 million less debt discount and issue costs of $24.2 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $805.9 million. As at December 31, 2012, the carrying amount of long-term debt was $641.8 million less debt discount and issue costs of $24.8 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $651.9 million.

Financial assets and liabilities are only offset if the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. The following table provides a summary of the Company's offsetting trade and other receivables and trade payables and accrued charges:

	December 31, 2013		December 31, 2012	
	Trade and other receivables	Trade payable and accrued charges	Trade and other receivables	Trade payable and accrued charges
Gross amounts	$ 560,256	$ 529,789	$ 312,923	$ 283,749
Amount offset	(409,636)	(409,636)	(206,801)	(206,801)
Net amount included in the consolidated financial statements	$ 150,620	$ 120,153	$ 106,122	$ 76,948

(tabular amounts in thousands of Canadian dollars, except where noted)

Derivative financial instruments (recurring fair value measurements)

The following is a summary of the Company's risk management contracts outstanding:

	December 31, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	$ -	$ 336	$ 434	$ 2,013
Commodity swaps	1,095	1,914	5,086	3,887
Commodity options	13	-	-	18
Foreign currency forward contracts	15,651	215	2,476	316
Foreign currency options, including deferred premium	7	5,046	-	2,954
Interest rate swap	-	-	-	2,884
Interest rate floor	-	-	-	17,127
Total	$ 16,766	$ 7,511	$ 7,996	$ 29,199
Less non-current portion:				
Foreign currency forward contracts	15,646	-	2,476	-
Foreign currency options	-	5,046	-	2,954
Interest rate swap	-	-	-	1,746
Interest rate floor	-	-	-	12,709
	15,646	5,046	2,476	17,409
Current portion	$ 1,120	$ 2,465	$ 5,520	$ 11,790

The fair value of financial instruments are classified as a non-current asset (long-term prepaid expense and other assets) or liability (other long-term liabilities) if the remaining maturity is more than 12 months and, as a current asset or liability, if the maturity is less than 12 months.

(i) Commodity financial instruments

WTI Futures, options and swaps

The Company enters into crude oil futures, options and swap contracts to manage the price risk associated with sales, purchases and inventories of crude oil and petroleum products.

Natural Gas Liquids ("NGL")

The Company enters into NGL swap contracts to manage the risk associated with sales, purchases and inventories of NGLs.

(ii) Currency financial instruments

U.S. Dollar Forwards

The Company enters into forward contracts to sell U.S. dollars in exchange for Canadian dollars to fix the exchange rate on its estimated future net cash inflows denominated in U.S. dollars.

In the year ended December 31, 2011, the Company entered into a U.S. dollar forward contracts maturing on September 15, 2015 on U.S.$498.0 million of the principal of the Company's long-term debt to help mitigate the currency risk associated with its U.S. dollar denominated long-term debt. Following the repayment of Tranche B Term Loan on June 28, 2013, the Company received cash of $11.6 million on the settlement of U.S. dollar forward contracts for a notional amount of U.S.$238.0 million. In the year ended December 31, 2013, the Company extended the terms of the remaining U.S. dollar forward contracts for a notional amount of U.S.$260.0 million to September 15, 2017.

As at December 31, 2013, U.S. dollar forward contracts to buy U.S. dollars at a weighted average rate of $1.0242 to U.S.$1.00 for a notional amount of U.S.$260.0 million remained outstanding.

(tabular amounts in thousands of Canadian dollars, except where noted)

U.S. Dollar Options

In the year ended December 31, 2011, in connection with the forward contracts on the principal of the Company's long-term debt and to mitigate the credit cost, the Company sold U.S. dollar call options with a notional amount of U.S.$275.0 million, expiring September 15, 2015, with a strike price of $1.32 to U.S.$1.00 for which the Company received an initial cash premium of $4.8 million.

Following the repayment of Tranche B Term Loan on June 28, 2013, the Company paid $0.2 million to settle U.S. dollar options for a notional amount of U.S.$15.0 million. In the year ended December 31, 2013, the Company extended the terms of the remaining U.S. dollar option contracts for a notional amount of U.S.$260.0 million to September 15, 2017 at a strike price to $1.295 to U.S.$1.00.

As at December 31, 2013, U.S. dollar option contracts for a notional amount of $260.0 million remained outstanding.

Interest Rate Swap

In the year ended December 31, 2011, the Company entered into a U.S. dollar interest rate swap to hedge a portion of the Company's U.S. dollar floating interest rate exposure on the Company's long-term debt. The swap effectively fixed the interest rate on U.S.$175.0 million of the principal at 5.5% for a three year period beginning in September 2012. Following the repayment of Tranche B Term Loan on June 28, 2013, the Company paid $2.7 million to settle the U.S. dollar interest rate swap.

Interest Rate Floor

The Tranche B Term Loan carried an interest rate of Adjusted LIBOR plus 3.75%, subject to a minimum Adjusted LIBOR floor of 1.0%. This interest rate floor was considered an embedded derivative as the floor rate exceeded the market rate of interest at the time that the debt was incurred and modified. As a result, the interest rate floor derivative was separated from the carrying value of long-term debt and accounted for as a separate financial liability measured at fair value. Following the repayment of Tranche B Term Loan on June 28, 2013, the Company derecognized the interest rate floor financial instrument liability discount and accordingly, recognized a gain in financial instrument relating to interest expense of $17.1 million in the year ended December 31, 2013.

The value of the Company's derivative finance instruments are determined using inputs that are either readily available in public markets or are quoted by counterparties to these contracts. In situations where the Company obtains inputs via quotes from its counterparties, these quotes are verified for reasonableness via similar quotes from another source for each date for which financial statements are presented. The Company has consistently applied these valuation techniques in all periods presented and the Company believes it has obtained the most accurate information available for the types of financial instrument contracts held. The Company has categorized the inputs for these contracts as Level 1, defined as observable inputs such as quoted prices in active markets; Level 2 defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; or Level 3 defined as unobservable inputs in which little or no market data exists therefore requiring an entity to develop its own assumptions.

The Company used the following techniques to value financial instruments categorized in Level 2:

- The fair value of commodity options and swaps is calculated as the present value of the estimated future cash flows based on the difference between contract price and commodity price forecast.

- The fair value of foreign currency options and forward contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values.

- The fair value of interest rate swaps and floor was calculated as the present value of the estimated future cash flows based on observable yield curves.

(tabular amounts in thousands of Canadian dollars, except where noted)

The fair value of derivative financial instrument contracts by fair value hierarchy at December 31, 2013 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	$ 1,095	$ -	$ 1,095	$ -
Commodity options	13	-	13	-
Foreign currency options, including deferred premium	7	-	7	-
Foreign currency forward contracts	15,651	-	15,651	-
Total assets	$ 16,766	$ -	$ 16,766	$ -
Liabilities from financial instrument contracts				
Commodity swaps	$ 1,914	$ -	$ 1,914	$ -
Commodity futures	336	336	-	-
Foreign currency options, including deferred premium	5,046	-	5,046	-
Foreign currency forward contracts	215	-	215	-
Total liabilities	$ 7,511	$ 336	$ 7,175	$ -

The fair value of derivative financial instrument contracts by fair value hierarchy at December 31, 2012 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	$ 5,086	$ -	$ 5,086	$ -
Commodity futures	434	434	-	-
Foreign currency forward contracts	2,476	-	2,476	-
Total assets	$ 7,996	$ 434	$ 7,562	$ -
Liabilities from financial instrument contracts				
Commodity swaps	$ 3,887	$ -	$ 3,887	$ -
Commodity futures	2,013	2,013	-	-
Commodity options	18	-	18	-
Foreign currency options, including deferred premium	2,954	-	2,954	-
Foreign currency forward contracts	316	-	316	-
Interest rate swap	2,884	-	2,884	-
Interest rate floor	17,127	-	17,127	-
Total liabilities	$ 29,199	$ 2,013	$ 27,186	$ -

The impact of the movement in the fair value of derivative financial instruments has been expensed in the consolidated statement of operations as follows:

	Year ended December 31, 2013	2012
Cost of sales	$ 622	$ 1,080
Foreign exchange loss (gain) on long-term debt (note 14)	(22,500)	509
Gain on financial instrument relating to interest expense	(18,252)	(4,247)
	$ (40,130)	$ (2,658)

Financial Risk Management

The Company's activities expose it to certain financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. The Company's risk management strategy seeks to reduce potential adverse effects on its financial performance. As a part of its strategy, both primary and derivative financial instruments are used to hedge its risk exposures.

(tabular amounts in thousands of Canadian dollars, except where noted)

There are clearly defined objectives and principles for managing financial risk, with policies, parameters and procedures covering the specific areas of funding, banking relationships, interest rate exposures and cash management. The Company's treasury function is responsible for implementing the policies and providing a centralised service to the Company for identifying, evaluating and monitoring financial risks.

a) Foreign exchange risk

Foreign exchange risks arise from future transactions and cash flows and from recognized monetary assets and liabilities that are not denominated in the functional currency of the Company's operations.

The exposure to exchange rate movements in significant future transactions and cash flows is managed by using foreign currency forward contracts and options. These financial instruments have not been designated in a hedge relationship. No speculative positions are entered into by the Company.

Foreign currency exchange rate sensitivity

If the Canadian dollar strengthened or weakened by 5% relative to the U.S. dollar and all other variables, in particular interest rates remain constant, the impact on net income and equity would be as follows:

	December 31, 2013	December 31, 2012
U.S. Dollar Forwards and Options		
Favorable 5% change	$ 5,063	$ 2,529
Unfavorable 5% change	(5,260)	(2,529)
U.S. Dollar long-term debt Forwards and the related Options		
Favorable 5% change	$ 11,566	$ 5,670
Unfavorable 5% change	(11,566)	(5,670)

The movement is a result of a change in the fair value of U.S. dollar forward contracts and options. The sensitivity relating to the Company's long-term debt includes the change in the carrying value of the Company's U.S. dollar denominated long-term debt, the U.S. dollar forward contracts on the principal and the related U.S. dollar call options.

The impact of translating the net assets of the Company's U.S operations into Canadian dollars is excluded from this sensitivity analysis.

b) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will be affected by changes in market interest rates.

As a result of the repayment of Tranche B Term Loan on June 28, 2013, the Company settled the interest rates swap and derecognized its interest rate floor financial instrument liability discount, and accordingly, the Company no longer has exposure to changes in market interest rates as at December 31, 2013 relating to these financial instruments.

The following table summarizes the impact to net income and equity to a change in fair value of the Company's risk management position to changes in interest rates leaving all other variables constant:

	December 31, 2013	December 31, 2012
Interest Rate Swap		
Favorable 1% change	$ -	$ 1,537
Unfavorable 1% change	-	(189)

	December 31, 2013	December 31, 2012
Interest Rate Floor		
Favorable 1% change	$ -	$ 7,262
Unfavorable 1% change	-	(17,887)

(tabular amounts in thousands of Canadian dollars, except where noted)

The Company's interest rate risk exposure did not exist within any of the operating segments, but existed at the corporate level where the variable rate debt obligations are issued.

c) Commodity price risk

The Company is exposed to changes in the price of crude oil, NGLs, oil related products and electricity commodities, which are monitored regularly. Crude oil and NGL priced futures, options and swaps are used to manage the exposure to these commodities' price movements. These financial instruments are not designated as hedges. An electricity price swap has been used in the past to manage the exposure to electricity prices in Canada and if used, would be marked to market each period. Based on the Company's risk management policies, all of the financial instruments are employed in connection with an underlying asset/liability and/or forecasted transaction and are not entered into with the objective of speculating on commodity prices.

The following table summarizes the impact to net income and equity due to a change in fair value of the Company's derivative positions because of fluctuations in commodity prices leaving all other variables constant, in particular foreign currency rates. The Company believes that a 15% volatility in crude oil and NGL related prices is a reasonable assumptions.

	December 31, 2013	December 31, 2012
Crude oil and NGL related prices		
Favorable 15% change	$ 3,082	$ 3,706
Unfavorable 15% change	(3,004)	(3,656)

d) Credit risk

The Company's credit risk arises from its outstanding trade receivables, including receivables from customers who have entered into fixed term contractual arrangements to have dedicated use of certain of the Company's tanks. A significant portion of the Company's trade receivables are due from entities in the oil and gas industry. Concentration of credit risk is mitigated by having a broad customer base and by dealing with credit-worthy counterparties in accordance with established credit approval practices. The Company actively monitors the financial strength of its customers and in select cases has tightened credit terms to minimize the risk of default on trade receivables.

At December 31, 2013 and 2012, approximately 4% and 5%, respectively, of net trade receivables are past due but not considered to be impaired. The Company considers trade receivables as past due when it is 30 days past the due date. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements.

The Company establishes guidelines for customer credit limits and terms. The Company review includes financial statements and external ratings when available. The Company does not usually require collateral in respect of trade and other receivables. The Company provides adequate provisions for expected losses from the credit risks associated with trade receivables. The provision is based on an individual account-by-account analysis and prior credit history.

The Company is exposed to credit risk associated with possible non-performance by financial instrument counterparties. The Company does not generally require collateral from its counterparties but believes the risk of non-performance is low. The counterparties are major financial institutions or commodity brokers with investment grade credit ratings as determined by recognized credit rating agencies.

The Company's cash equivalents are placed in time deposits with major international banks and financial institutions.

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's process for managing liquidity risk includes preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures and authorization of contractual agreements. The Company may seek additional financing based on the results of these processes. The budgets are updated with forecasts when required and as conditions change. Sufficient funds and the Revolving Credit Facility are available to satisfy the Company's requirements over the next 12 months, and are expected to be available to satisfy the Company's long term requirements. The Company has a Revolving Credit Facility of $500.0 million and at December 31, 2013, no amount was drawn against the facility other than outstanding issued letters of credit.

(tabular amounts in thousands of Canadian dollars, except where noted)

The terms of the Notes and Revolving Credit Facility require the Company to comply with certain covenants. If the Company fails to comply with these covenants the lenders may declare an event of default. At December 31, 2013 and December 31, 2012, the Company was in compliance with these covenants.

Set out below is maturity analyses of certain of the Company's financial contractual obligations as at December 31, 2013. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	On demand or within one year	Between one and five years	After five years	Total
Trade payables and accrued charges, excluding derivative financial instruments and accrued interest	$ 534,820	$ -	$ -	$ 534,820
Dividend payable	33,605	-	-	33,605
Long-term debt	-	-	781,800	781,800
Interest payment on long-term debt	53,397	213,588	145,209	412,194
Commodity futures	336	-	-	336
Commodity swaps	1,914	-	-	1,914
Foreign currency forwards and options	215	5,046	-	5,261
	$ 624,287	$ 218,634	$ 927,009	$ 1,769,930

Capital management

The Company's objectives when managing its capital structure are to maintain financial flexibility so as to preserve the Company's ability to meet its financial obligations and to finance internally generated growth as well as potential acquisitions.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity, long-term debt, the Revolving Credit Facility and working capital. To maintain or adjust the capital structure, the Company may raise debt or issue equity and/or adjust its capital spending to manage its current and projected debt levels.

Financing decisions are made by management and the Board based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Company's commitments and development plans. Factors considered when determining whether to issue new debt or to seek equity financing include the amount of financing required, the availability of financial resources, the terms on which financing is available and consideration of the balance between shareholder value creation and prudent financial risk management.

Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet), less cash and cash equivalents. Total capital is calculated as net debt plus share capital as shown in the consolidated balance sheet.

	December 31, 2013	December 31, 2012
Total financial liability borrowings	$ 757,566	$ 637,981
Less: cash and cash equivalents	(97,182)	(61,026)
Net debt	660,384	576,955
Total share capital	1,585,145	1,543,149
Total capital	$ 2,245,529	$ 2,120,104

If the Company is in a net debt position, the Company will assess whether the projected cash flow and availability under the Revolving Credit Facility is sufficient to service this debt and support ongoing operations.

(tabular amounts in thousands of Canadian dollars, except where noted)

29 Segmental information

In the first quarter of 2013, the Company combined its Canadian and United States Environmental Services businesses and as a result realigned its Canadian custom treating and terminal facilities business from the Terminals and Pipelines segment to the Environmental Services segment. Accordingly, results of operations for the comparative periods have been reclassified to reflect the realignment.

The Company has defined its operations into the following operating segments: (i) Terminals and Pipelines, (ii) Truck Transportation, (iii) Environmental Services, (iv) Propane and NGL Marketing and Distribution, (v) Processing and Wellsite Fluids and (vi) Marketing

Terminals and Pipelines include fee-based storage and terminalling services and tariff-based pipeline services for crude oil, condensate and refined product. The Company owns and operates major storage terminals located at Edmonton and Hardisty, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; a terminal at Sexsmith, Alberta; pipelines, which are connected to the Hardisty Terminal; and injection stations, which are located in the United States.

Truck Transportation includes provision of hauling services for crude oil, condensate, propane, butane, asphalt, methanol, sulfur, petroleum coke, gypsum, emulsion, waste water and drilling fluids for customers in Western Canada and the United States.

Environmental Services includes the provision of environmental and production services such as emulsion treating, water disposal services and oilfield waste management, exploration support services and accommodation facilities to the oil and gas industry.

Propane and NGL Marketing and Distribution include a retail propane distribution operation and a wholesale business that includes wholesale propane distribution and an NGL marketing business. The retail operation sells propane to oil and gas, industrial and residential customers, while the wholesale operations sell to larger customers who are not usually end users of the product.

Processing and Wellsite Fluids includes the refining and marketing of a variety of products, including road asphalt, roofing flux, wellsite fluids and tops.

Marketing includes purchasing, selling, storing and blending of crude oil and condensate providing aggregation services to producer and earning margins through quality, or time-based arbitrage opportunities.

These operating segments of the Company have been derived because they are the segments (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Company’s chief operating decision maker to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. No operating segments were aggregated to arrive at the reportable segments.

Inter-segmental transactions are eliminated upon consolidation. No margins are recognized on inter-segmental transactions.

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company’s consolidated financial statements.

(tabular amounts in thousands of Canadian dollars, except where noted)

Year ended December 31, 2013	**Terminals & Pipelines**	**Truck Transportation**	**Environmental Services**	**Propane & NGL Marketing & Distribution**	**Processing & Wellsite Fluids**	**Marketing**	**Corporate & other reconciling balances**	**Total**
Statement of operations								
Revenue - external and inter-segmental	$ 132,144	$ 532,490	$ 325,059	$1,151,206	$ 611,097	$ 5,580,040	$ -	$ 8,332,036
Revenue - inter-segmental	(50,884)	(56,155)	(24,836)	(160,500)	(174,275)	(924,717)	-	(1,391,367)
Revenue - external	81,260	476,335	300,223	990,706	436,822	4,655,323		6,940,669
Segment profit	95,613	83,674	83,094	62,277	48,720	83,004	-	456,382
Depreciation of property, plant and equipment.	26,503	36,146	42,820	10,337	15,838	263	1,947	133,854
Amortization of intangible assets	2,011	12,541	22,646	6,296	3,541	678	2,490	50,203
General and administrative	-	-	-	-	-	-	34,664	34,664
Stock based compensation	-	-	-	-	-	-	8,271	8,271
Corporate foreign exchange gain	-	-	-	-	-	-	(4,226)	(4,226)
Interest expense	-	-	-	-	-	-	53,458	53,458
Gain on financial instruments relating to interest expense	-	-	-	-	-	-	(18,252)	(18,252)
Interest income	-	-	-	-	-	-	(471)	(471)
Foreign exchange loss on long-term debt	-	-	-	-	-	-	19,951	19,951
Debt extinguishment	-	-	-	-	-	-	38,209	38,209
Income tax provision	-	-	-	-	-	-	36,905	36,905
Net income	$ 67,099	$ 34,987	$ 17,628	$ 45,644	$ 29,341	$ 82,063	$ (172,946)	$ 103,816

(tabular amounts in thousands of Canadian dollars, except where noted)

Year ended December 31, 2012	**Terminals & Pipelines**	**Truck Transportation**	**Environmental Services**	**Propane & NGL Marketing & Distribution**	**Processing & Wellsite Fluids**	**Marketing**	**Corporate & other reconciling balances**	**Total**
Statement of operations								
Revenue - external and inter-segmental	$ 109,407	$ 524,007	$ 75,216	$ 856,686	$ 551,737	$3,745,283	$ -	$ 5,862,336
Revenue - inter-segmental	(36,265)	(43,932)	(15,528)	(143,731)	(176,465)	(533,386)	-	(949,307)
Revenue - external	73,142	480,075	59,688	712,955	375,272	3,211,897	-	4,913,029
Segment profit	79,229	85,499	16,689	49,671	40,068	58,737	-	329,893
Depreciation of property, plant and equipment.	25,227	32,199	13,171	9,162	10,147	256	1,810	91,972
Amortization of intangible assets	2,073	11,562	6,752	5,853	5,665	678	2,056	34,639
General and administrative	-	-	-	-	-	-	32,747	32,747
Stock based compensation	-	-	-	-	-	-	3,856	3,856
Corporate foreign exchange gain	-	-	-	-	-	-	(6,482)	(6,482)
Interest expense	-	-	-	-	-	-	43,655	43,655
Gain on financial instruments relating to interest expense	-	-	-	-	-	-	(4,247)	(4,247)
Interest income	-	-	-	-	-	-	(645)	(645)
Foreign exchange gain on long-term debt	-	-	-	-	-	-	(13,915)	(13,915)
Income tax provision	-	-	-	-	-	-	32,127	32,127
Net income (loss)	$ 51,929	$ 41,738	$ (3,234)	$ 34,656	$ 24,256	$ 57,803	$ (90,962)	$ 116,186

The breakdown of additions to property, plant and equipment and intangible assets by operating segment is as follows:

	December 31			
	2013		**2012**	
	Property, plant and equipment	**Intangible Assets**	**Property, plant and equipment**	**Intangible Assets**
Terminals and Pipelines	$ 105,061	$ 2,276	$ 43,245	$ 1,860
Truck Transportation	51,146	2,356	64,162	1,162
Environmental Services	59,213	978	25,295	139
Propane & NGL Marketing & Distribution	12,930	462	12,372	68
Processing & Wellsite Fluids	8,083	109	30,525	-
Corporate & other	2,028	2,314	1,097	2,273
	$ 238,461	$ 8,495	$ 176,696	$ 5,502

(tabular amounts in thousands of Canadian dollars, except where noted)

Geographic Data

Based on the location of the end user, approximately 23% and 22% of revenue was from customers in the United States for the year ended December 31, 2013 and 2012, respectively.

The Company's non-current assets, excluding investment in finance lease and deferred tax asset, are primarily concentrated in Canada with 32% and 32% in the United States at December 31, 2013 and 2012, respectively.

30 Subsequent Event

On March 4, 2014, the Company announced that the Board declared a quarterly dividend of $0.30 per common share for the quarter ending March 31, 2014 on its outstanding common shares. The common share dividend is payable on April 17, 2014 to shareholders of record at the close of business on March 31, 2014.

31 Principal subsidiaries

The Company had the following subsidiaries as at December 31, 2013:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares owned by the Company
A&A Tank Truck Co.	USA	Trucking and Waste Disposal	100%
All-Clean Fluids and Filtration Services Ltd.	Canada	Oil and Drilling Fluids	100%
B.E.G. Liquid Mud Services Corp.	USA	Oil & Gas Support Services	100%
Bridge Creek Trucking Ltd.	Canada	Trucking Services	100%
Canwest Propane Partnership	Canada	Retail propane	100%
Canwest Propane ULC	Canada	Retail propane	100%
Chief Hauling Contractors ULC	Canada	Trucking Services	100%
GEP ULC	Canada	Trucking and Storage	100%
Gibson (U.S) Acquisition Corp.	USA	Holding Company	100%
Gibson (U.S) Finco Corp.	USA	Holding Company	100%
Gibson (U.S) Holdco Corp.	USA	Holding Company	100%
Gibson Energy (US) Inc.	USA	Wholesale petroleum products	100%
Gibson Energy Inc.	Canada	Holding Company	100%
Gibson Energy Marketing , LLC	USA	Wholesale petroleum products	100%
Gibson Energy Partnership	Canada	Trucking and Storage	100%
Gibson Energy ULC	Canada	Holding Company	100%
Gibson Energy, LLC	USA	Transportation	100%
Gibson Finance Ltd.	Canada	Holding Company	100%
Gibson Gas Liquids Partnership (Alberta)	Canada	Wholesale propane	100%
Gibson Gas Liquids ULC	Canada	Wholesale propane	100%
Gibson GCC Inc.	Canada	Inactive	100%
Gibson Offshore, LLC.	USA	Oil & Gas Support Services	100%
Griswold Management, Inc.	USA	Inactive	100%
Industrial Lift Truck & Equipment Co, Inc	USA	Oil & Gas Support Services	100%
Johnstone Tank Trucking Ltd.	Canada	Trucking Services	100%
Keeton Services, Inc.	USA	Oil & Gas Support Services	100%

(tabular amounts in thousands of Canadian dollars, except where noted)

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares owned by the Company
Link Petroleum Inc.	USA	Wholesale propane	100%
Link Petroleum Services Ltd.	Canada	Inactive	100%
Moose Jaw Refinery Partnership	Canada	Fluids and refining	100%
Moose Jaw Refinery ULC	Canada	Fluids and refining	100%
Northern Truck Services 1994 Ltd.	Canada	Trucking Services	100%
Omni Energia Mexicana	Mexico	Inactive	100%
OMNI Energy Seismic Services, LLC	USA	Oil & Gas Seismic Services	100%
OMNI Energy Services Corp.	USA	Oil & Gas Support Services	100%
OMNI Energy Transportation Corp	USA	Oil & Gas Support Services	100%
OMNI Labor Corporation	USA	Inactive	100%
OMNI Properties Corp.	USA	Inactive	100%
Plato Services Partnership	Canada	Waste Disposal Services	50%
Preheat, Inc.	USA	Oil & Gas Support Services	100%
Rig Tools, Inc.	USA	Oil & Gas Support Services	100%
Taylor Transfer Services, LLC	USA	Transportation	100%
Gibson Energy ULC Pension Plan	Canada	Pension Fund	100%
TPG Leasing, LLC	USA	Rental and Leasing	100%
TPG Transport, LLC	USA	Transportation	100%
Trussco, Inc.	USA	Oil & Gas Support Services	100%
Wellspring Omni Parent Inc.	USA	Holding Company	100%
WISCO Inc.	USA	Oil & Gas Support Services	100%