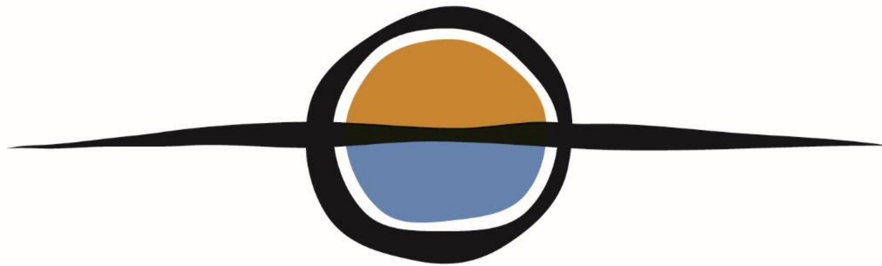
Consolidated Financial Statements of



For the years ended December 31, 2018 and 2017

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizon North Logistics Inc.

Opinion

We have audited the consolidated financial statements of Horizon North Logistics Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

Hereinafter referred to as the "financial statements".

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis to be filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, including in a document likely to be entitled "2019 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis to be filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Reinier Deurwaarder.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 12, 2019

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Consolidated statements of financial position

(000's)		December 31, 2018		December 31, 2017
Assets				
Current assets:				
Trade and other receivables (Note 12)	$	102,967	$	98,765
Inventories (Note 13)		8,782		7,427
Prepayments		4,376		5,437
Income taxes receivable		-		3,065
Total current assets		116,125		114,694
Non-current assets:				
Property, plant and equipment (Note 14)		327,123		338,122
Intangible assets (Note 15)		1,599		4,348
Goodwill (Note 15)		24,792		20,545
Other assets (Note 16)		2,771		2,041
Total non-current assets		356,285		365,056
Total assets	$	472,410	$	479,750
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade and other payables	$	48,113	$	33,001
Deferred revenue (Note 6)		2,075		7,008
Income taxes payable		1,217		-
Current portion of asset retirement obligations (Note 18)		1,835		3,347
Finance lease liabilities		772		1,588
Total current liabilities		54,012		44,944
Non-current liabilities:				
Asset retirement obligations (Note 18)		11,447		11,217
Loans and borrowings (Note 17)		30,894		73,016
Deferred tax liabilities (Note 11)		39,314		45,509
Total liabilities		135,667		174,686
Shareholders' equity:				
Share capital (Note 20)		338,377		286,754
Contributed surplus		17,195		16,181
Accumulated other comprehensive income		761		761
Retained earnings		(19,590)		1,368
Total shareholders' equity		336,743		305,064
Total liabilities and shareholders' equity	$	472,410	$	479,750

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

Ann Rooney
Director

Rod Graham
Director

Consolidated statements of comprehensive loss
Years ended December 31, 2018 and 2017

(000's except per share amounts)	December 31, 2018	December 31, 2017
Revenue (Note 6)	$ 394,245	$ 324,082
Operating expenses:		
Direct costs (Note 7)	335,956	272,626
Depreciation (Note 14)	38,540	40,701
Amortization of intangible assets (Note 15)	2,749	2,742
Impairment loss on re-measurement of assets held for sale	-	3,457
Share based compensation (Note 20)	1,382	659
Gain on disposal of property, plant and equipment	(61)	(12,094)
Direct operating expenses	378,566	308,091
Gross profit	15,679	15,991
Selling & administrative expenses:		
Selling & administrative expenses (Note 8)	21,606	21,411
Share based compensation (Note 20)	1,369	515
Selling & administrative expenses	22,975	21,926
Operating loss	(7,296)	(5,935)
Finance costs	2,894	2,824
Earnings from equity investments	(67)	-
Loss before tax	(10,123)	(8,759)
Current tax expense (recovery)	1,004	(3,673)
Deferred tax (recovery) expense	(2,931)	2,757
Income tax recovery (Note 11)	(1,927)	(916)
Total loss	(8,196)	(7,843)
Other comprehensive income:		
Translation of foreign operations	-	(3)
Other comprehensive loss, net of income tax	-	(3)
Total comprehensive loss	$ (8,196)	$ (7,846)
Loss per share:		
Basic and Diluted (Note 21)	$ (0.05)	$ (0.05)

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

Consolidated statements of changes in equity

(000's)		Share Capital		Contributed Surplus		Accumulated Other Comprehensive Income		Retained Earnings		Total
Balance at December 31, 2016	$	286,674	$	15,465	$	764	$	20,784	$	323,687
Total loss		-		-		-		(7,843)		(7,843)
Share based compensation (Note 20)		-		734		-		-		734
Share options exercised (Note 20)		80		(18)		-		-		62
Translation of foreign operations		-		-		(3)		-		(3)
Dividends (Note 22)		-		-		-		(11,573)		(11,573)
Balance at December 31, 2017	$	286,754	$	16,181	$	761	$	1,368	$	305,064
Total loss		-		-		-		(8,196)		(8,196)
Share based compensation (Note 20)		-		1,047		-		-		1,047
Share options exercised (Note 20)		181		(33)		-		-		148
Issue of share capital (Note 20)		53,330		-		-		-		53,330
Share issue costs, net of tax (Note 20)		(1,888)		-		-		-		(1,888)
Dividends (Note 22)		-		-		-		(12,762)		(12,762)
Balance at December 31, 2018	$	338,377	$	17,195	$	761	$	(19,590)	$	336,743

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

Consolidated statements of cash flows
Years ended December 31, 2018 and 2017

(000's)	December 31, 2018	December 31, 2017
Cash provided by (used in):		
Operating activities:		
Loss for the period	$ (8,196)	$ (7,843)
Adjustments for:		
Depreciation (Note 14)	38,540	40,701
Amortization of intangible assets (Note 15)	2,749	2,742
Share based compensation (Note 20)	2,751	1,174
Amortization of other assets (Note 16)	128	128
Gain on disposal of property, plant and equipment	(61)	(12,094)
Book value of used fleet sales	8,201	21,000
Earnings on equity investments	(67)	-
Impairment loss on re-measurement of assets held for sale	-	3,457
Unrealized foreign exchange loss	-	(5)
Finance costs	2,894	2,824
Income tax recovery (Note 11)	(1,927)	(916)
Asset retirement obligation settled (Note 18)	(5,424)	(441)
Income taxes paid	3,136	7,570
Interest paid	(3,039)	(2,989)
Funds flow	39,685	55,308
Changes in non-cash working capital items (Note 27)	(2,143)	(40,582)
Net cash flows from operating activities	37,542	14,726
Investing activities:		
Purchase of property, plant and equipment (Note 14)	(30,859)	(15,596)
Proceeds on disposal of property, plant and equipment	7,994	13,240
Business acquisition, net of cash acquired (Note 5)	(4,622)	(197)
Net cash flows used in investing activities	(27,487)	(2,553)
Financing activities:		
Shares issued, net of share issue costs (Note 20)	47,561	62
Finance lease liabilities	(1,804)	1,588
Repayment of loans and borrowings	(43,441)	(2,252)
Payment of dividends (Note 22)	(12,371)	(11,571)
Net cash flows used in financing activities	(10,055)	(12,173)
Change in cash position	-	-
Cash, beginning of period	-	-
Cash, end of period	$ -	$ -

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

1. Reporting Entity

Horizon North Logistics Inc. ("Horizon North" or the "Corporation") is a corporation registered and domiciled in Canada and is a publicly-traded corporation, listed on the Toronto Stock Exchange under the symbol HNL. The Corporation's registered offices are at 900, 240-4th Avenue SW, Calgary, AB T2P 4H4. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2018 comprise of the Corporation and its subsidiaries and the Corporation's interest in associates and jointly controlled entities. Horizon North provides a full range of industrial, commercial, and residential products and services. Industrial services include workforce accommodations, camp management services, access solutions, maintenance and utilities. The Corporation's Modular Solutions division integrates modern design concepts and technology with state of the art, off-site manufacturing processes; producing high quality building solutions for commercial and residential offerings including offices, hotels, and retail buildings, as well as distinctive single detached dwellings and multi-family residential structures.

2. Basis of Presentation

(a) Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2019.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

Estimates

- Revenue Recognition Estimate – The Corporation recognizes revenue over time for its construction contracts and estimates progress of these contracts by comparing costs incurred to the total expected costs of the project.
- Construction Receivable Estimate – The Corporation recognizes that the value of many construction contracts increases over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or conditions resulting in possible disputes or claims regarding additional amounts owing may arise. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, significant increases or decreases in revenue and income may arise during any particular accounting period.

2. Basis of Presentation (continued)

(d) Use of estimates and judgments (continued)

Estimates (continued)

- Collectability of receivables – The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client credit-worthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the allowance for doubtful accounts and the collectability of receivables. Significant estimates must be made and used in connection with establishing the allowance for doubtful accounts in any accounting period. Material differences may result if management made different judgments or utilized different estimates.

- Asset Retirement Obligation ("ARO") – The Corporation recognizes an asset retirement obligation to account for future demobilisation and reclamation of specific camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized in accordance with the accounting policy set out in Note 3(i).

- Impairment – Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCOD") and its value in use ("VIU"). The FVLCOD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The VIU calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's forecast and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows, gross margin and EBITDAS assumptions and the growth rate used for extrapolation purposes.

- Purchase price equations – the acquired assets and assumed liabilities are generally recognized at fair value on the date the Corporation obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets and other assets and the liabilities are largely based on projected cash flows, discount rates and market conditions at the date of acquisition. The estimate of fair value of property, plant and equipment is based on available data from comparable sales transactions.

Judgments

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

- Revenue Recognition – The Corporation is required to make a judgment in determining the timing of the transfer of control– at a point in time or over time - for the recognition of revenue.

3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Special purpose entities

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

(iii) Transactions eliminated on consolidation

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

(b) Business combinations

Business combinations are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets acquired and assumed liabilities are classified or designated based on the contractual terms, economic conditions, the Corporation's operating and accounting policies, and other factors that exist on the acquisition date. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(c) Financial instruments

Effective January 1, 2018, the Corporation adopted IFRS 9 - Financial Instruments, which replaced IAS 39 - Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 did not have a material impact on the Corporation's Consolidated Financial Statements.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

Impairment of financial assets: IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt instruments at FVOCI. Under IFRS 9, credit losses are recognized earlier than IAS 39.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The differences between the two standards did not impact the Corporation at the time of transition. The adoption of IFRS 9 has not had a significant effect on the Corporation’s accounting policies related to financial liabilities.

Financial Instrument	IAS 39 Category	IFRS 9 Category
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Loans and borrowings	Other financial liabilities	Amortized cost

(i) Non-derivative financial assets

The initial classification of a financial asset depends upon the Corporation’s business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Corporation classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- FVOCI: Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- FVTPL: Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets.

The Corporation initially recognizes trade and other receivables on the date that they originate. All other financial assets are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation’s financial assets, trade and other receivables, are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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

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

(ii) Non-derivative financial liabilities

The Corporation’s financial liabilities are categorized as measured at amortized cost.

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which it becomes a party to the contractual provisions of the instrument.

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

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

Bank overdrafts that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

(iii) Share capital

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset, acquisition costs including the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Costs related to assets under construction are capitalized when incurred. Assets under construction are not depreciated until they are completed and available for use in the manner intended by management. When this occurs, the asset is transferred to property, plant and equipment.

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

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

Proceeds from the sale of rental equipment that is routinely sold before the end of its useful life are included in revenue and net cash flows from operating activities. The investments in the acquisition or manufacturing of rental equipment is also included in net cash flows from operating activities if the assets are expected to be predominantly sold before the end of their useful life, otherwise the investments are included in net cash flows from investing activities.

(ii) Subsequent costs

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

(iii) Depreciation

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

3. Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

Assets	Method	Residual Value	Useful life
Camp facilities	Straight-line	20%	15 years
Camp setup & installation	Straight-line	-	2 to 5 years
Buildings	Straight-line	-	20 years
Automotive & trucking equipment	Straight-line	-	4 to 8 years
Mats	Straight-line	-	6 years
Furniture, fixtures & other equipment	Straight-line	-	2 to 10 years
Asset retirement obligation	Straight-line	-	1 to 9 years

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

(e) Intangible assets

(i) Goodwill

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

(ii) Assets acquired in business combinations

Non-operating intangible assets are intangible assets that are acquired as a result of a business combination, which arise from contractual or other legal rights and are transferable or separable. On initial recognition they are measured at fair value. Amortization is charged on a straight line basis to the statement of comprehensive income over their expected useful lives which are:

	Estimated useful lives
Trade names	7 years
Architectural design	5 years
Customer contracts	2.5 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Inventories

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

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

3. Significant Accounting Policies (continued)

(g) Impairment

(i) Financial assets

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

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

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated using the "expected credit loss" model and recognizes expected credit losses as a loss allowance. The Corporation recognizes an amount equal to the lifetime expected credit losses based on the Corporation's historical experience and including forward-looking information. The carrying amount of these assets in the consolidated statement of financial position is net of any loss allowance. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

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

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

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

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

3. Significant Accounting Policies (continued)

(g) Impairment (continued)

(ii) Non-financial assets (continued)

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

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

(h) Employee benefits

(i) Defined contribution plan

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

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the short-term cash bonus plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share based compensation transactions

Equity-settled transactions

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

Cash-settled transactions

The Corporation has a Restricted Share Unit ("RSU") plan for its eligible officers and employees. The fair value of the amount payable to officers and employees in respect of the RSUs, for which the participants are eligible to receive an equivalent cash value of the common shares at a future date, is recognized as an expense with a corresponding increase in liabilities over the period that the employees and officers provide the related service and become entitled to payment. The liability is re-measured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as selling & administrative expenses in profit or loss.

(i) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. As at December 31, 2018 and 2017 the Corporation has recognized a provision for Asset Retirement Obligations.

3. Significant Accounting Policies (continued)

(j) Revenue

Effective January 1, 2018, the Corporation adopted IFRS 15 - Revenue from Contracts with Customers replacing IAS 11 - Construction Contracts, IAS 18 - Revenue and several revenue-related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

The impacts of adopting IFRS 15 on the Corporation's Consolidated Statement of Financial Position as at December 31, 2018, the Consolidated Statement of Comprehensive Loss and the Consolidated Statement of Cash Flow, did not result in adjustments and did not materially impact the timing or measurement of revenue. However, IFRS 15 contains new disclosure requirements.

The Corporation has adopted IFRS 15 using the modified retrospective method, with the effect of initially applying this standard recognized at the date of initial application, January 1, 2018. Accordingly, the information presented for 2017 has not been restated, it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Corporation to its customer or when the customer receives the benefits from the service.

The Corporation recognizes revenue from the following major products and services:

(i) Camp rental and catering revenue

The Corporation provides camp rental and catering services to its customers. Depending on the customer's requirements contracts may be for camp rental only, catering and maintenance services only, or both camp rental and catering services. Revenue from the camp rental and catering services are recognized over time as services are performed. Occupancy days or mandays at the applicable day rate are used to measure recognizable revenue of the camp. Minimum mandays are included in certain contracts and contract variability, as a result of fluctuating mandays, is recognized in the period in which the mandays occur.

(ii) Construction contract revenue

Construction contract revenue includes the initial amount agreed to in the contract plus any variations in contract work, claims, and incentive payments, to the extent that it is highly probable that a significant revenue reversal will not occur. The Corporation recognizes revenue over time for its construction contracts, and estimates progress of these contracts by comparing costs incurred to the total expected costs of the project. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

(iii) Rendering of services

The Corporation provides access mat rental, relocatable structure rental, and transportation services to customers. Revenue from rendering of these services are recognized over time. Rental days are used to measure the rental fleet revenue. Revenue is recognized at the applicable day rate for each asset rented, based on rates specified in each contract, and as the services are performed.

(iv) Sale of used fleet

The Corporation routinely sells items of property, plant and equipment that it has held for rental and such assets are transferred to inventories at their carrying amount when they cease to be held for rent. The proceeds from the sale of such assets are recognized as revenue at a point in time when control of the assets transfers.

(v) Sale of other goods

Revenue from the sale of other goods is measured at the fair value of the consideration received or receivable. The Corporation recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Corporation to its customer, collectability is reasonably assured, the associated costs can be estimated reliably, and there is no continuing management involvement with the goods. The Corporation recognizes revenue from the sale of other goods at a point in time.

3. Significant Accounting Policies (continued)

(k) Lease payments

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

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

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

Determining whether an arrangement contains a lease:

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

(l) Finance income and costs

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

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

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

(m) Income tax

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

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

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

3. Significant Accounting Policies (continued)

(m) Income tax (continued)

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

(n) Earnings per share

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

(o) Segment reporting

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

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

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

(p) Foreign currency translation

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

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

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

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

3. Significant Accounting Policies (continued)

(q) New standards and interpretations not yet adopted

The new standards, amendments to standards and interpretations not yet effective for the year ended December 31, 2018, and not applied in preparing these consolidated financial statements are disclosed below. The Corporation intends to adopt these standards, if applicable, when they become effective on or after January 1, 2019.

IFRS 16 Leases - IFRS 16 Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-to-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Transitional provisions have been provided. The Corporation will adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019, using the modified retrospective method where the Corporation recognizes its right-to-use assets and lease liabilities both equal to present value of the lease obligations.

Throughout 2018, the Corporation reviewed all its rental and lease related contracts to evaluate the impact on the financial statements. With the modified retrospective method Horizon North expects the financial statement impact to be a $16.0 million addition of right-of-use assets as well as lease liabilities with no changes in retained earnings on January 1, 2019. From the lessor accounting side, the Corporation reviewed its various revenue streams and underlying contracts with customers, and the Corporation will include those that are applicable to the disclosure requirements as prescribed by IFRS 16 for the annual period beginning on January 1, 2019.

4. Determination of fair values

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

(a) Property, plant and equipment

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

(b) Other financial assets and liabilities

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

(c) Share-based compensation transactions

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

Units issued under the Restricted Share Unit ("RSU") plan are initially measured based on fair market value of the Corporation's stock price when granted. The fair value of outstanding units is re-measured at each reporting date using the Corporation's stock price until the date of settlement. Under the terms of the RSU plan, the RSUs awarded will vest in three equal portions on the first, second and third anniversary from the grant date and will be settled in cash, in the amount equal to the fair market value of the Corporation's stock price on that date.

5. Business Combinations

(a) Shelter Modular Inc. ("Shelter")

On April 16, 2018, the Corporation acquired all of the issued and outstanding shares of Shelter Modular Inc. for $3.6 million, payable in a combination of common shares of Horizon North (“Horizon Shares”) and assumption of existing debt. The Corporation issued 983,004 common shares with a fair value at the acquisition date of $2.37 per share for a total value of $2.3 million at closing.

Shelter is a full-service modular manufacturing company based in Aldergrove, British Columbia.

The following summarizes the major classes of consideration transferred at the acquisition date:

		Amount *(000's)*
Shares issued	$	2,330
Assumption of debt		1,318
Total consideration	$	3,648

The acquisition was accounted using the acquisition method on April 16, 2018, whereby the assets acquired, and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management’s best estimate of the market value, which included the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it was expected to cost to settle the outstanding liabilities.

The following summarizes the recognized amounts of assets acquired and liabilities assumed:

		Amount *(000's)*
Net working capital	$	(1,867)
Property, plant and equipment		339
Deferred tax asset		2,566
Total net identifiable assets acquired	$	1,038
Goodwill		2,610
Total consideration	$	3,648

The goodwill arises as a result of the synergies expected to be achieved as a result of combining Shelter with the rest of the Corporation. None of the goodwill recognized is expected to be deductible for income tax purposes. There are no identified intangible assets acquired.

From the date of acquisition to December 31, 2018, Shelter contributed $1.4 million of revenue and $0.3 million of earnings before tax to the Corporation. If the business combination had been completed on January 1, 2018, the revenue and loss before income tax for the year ending December 31, 2018 would have been $3.3 million and $0.2 million respectively.

The Corporation incurred costs related to the acquisition of Shelter of $0.2 million relating to share issuance, due diligence and external advisory fees. The cost related to the share issuance totaling $48,000 were included in share capital on the balance sheet. The costs related to the due diligence and external advisory fees totaling $0.2 million were included in selling & administrative expenses on the consolidated statement of comprehensive loss.

5. Business Combinations (continued)

(b) C&V Portable Accommodations Ltd. ("C&V")

On November 1, 2018, the Corporation acquired all the operating assets and inventory of the custom manufacturing business of C&V for total cash consideration of $3.3 million. The operating assets acquired include the existing leasehold of 87,000 square feet of manufacturing space, employees, and equipment.

The acquisition was accounted using the acquisition method on November 1, 2018, whereby the assets acquired were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the market value, which included the condition of the assets acquired, and current industry conditions as well as the amount it was expected to cost to settle the outstanding liabilities.

The following summarizes the recognized amounts of assets acquired:

	Amount *(000's)*
Net working capital	$ 838
Property, plant and equipment	838
Total net identifiable assets acquired	$ 1,676
Goodwill	1,637
Total consideration	$ 3,313

The allocations and determinations of the consideration described above are preliminary and subject to changes upon final adjustments.

The goodwill arises as a result of the assembled workforce, the technical expertise and capabilities existing within the acquired facility and also the synergies expected to be achieved as a result of combining the manufacturing facility with the rest of the Corporation.

From the date of acquisition to December 31, 2018, the acquired custom manufacturing business of C&V contributed $1.1 million of revenue and $0.3 million of loss before tax to the Corporation.

The Corporation incurred costs related to the acquisition of the custom manufacturing business of C&V of $31,500 relating to due diligence and external advisory fees.

6. Revenue

The Corporation recognizes revenue from the following major products and services:

Type of Product or Service Line	Accounting policy
Camp Rental and Catering revenue	Customer obtains control of the goods or services over time
Construction contract revenue	Customer obtains control of the goods or services over time
Rendering of services	Customer obtains control of the goods or services over time
Sale of used fleet	Customer obtains control of the goods or services at a point in time
Sale of other goods	Customer obtains control of the goods or services at a point in time

(a) Disaggregation of revenue

In the following table, revenue is disaggregated by major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Corporations' reportable segments.

Twelve months ended December 31, 2018 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Inter-segment Eliminations	Total
Products & Service Lines					
Camp Rental and Catering revenue	$ 181,950	$ -	$ -	$ -	$ 181,950
Construction contract revenue	-	-	133,155	-	133,155
Rendering of services	32,215	37,933	-	(308)	69,840
Sale of used fleet	5,952	5,328	-	(2,871)	8,409
Sale of other goods	-	891	-	-	891
	$ 220,117	$ 44,152	$ 133,155	$ (3,179)	$ 394,245
Timing of Revenue Recognition					
Products and services transferred over time	$ 214,165	$ 37,933	$ 133,155	$ (308)	$ 384,945
Products and services transferred at a point in time	5,952	6,219	-	(2,871)	9,300
	$ 220,117	$ 44,152	$ 133,155	$ (3,179)	$ 394,245

Twelve months ended December 31, 2017 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Inter-segment Eliminations	Total
Products & Service Lines					
Camp Rental and Catering revenue	$ 179,392	$ -	$ -	$ -	$ 179,392
Construction contract revenue	-	-	46,755	-	46,755
Rendering of services	15,362	41,233	-	(82)	56,513
Sale of used fleet	28,463	5,266	-	-	33,729
Sale of other goods	1,213	6,480	-	-	7,693
	$ 224,430	$ 52,979	$ 46,755	$ (82)	$ 324,082
Timing of Revenue Recognition					
Products and services transferred over time	$ 194,754	$ 41,233	$ 46,755	$ (82)	$ 282,660
Products and services transferred at a point in time	29,676	11,746	-	-	41,422
	$ 224,430	$ 52,979	$ 46,755	$ (82)	$ 324,082

6. Revenue (continued)

(b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

(000's)	December 31, 2018	January 1, 2018
Receivables, which are included in trade and other accounts receivables	$ 73,967	$ 89,070
Contract assets, which are included in trade and other accounts receivables	29,000	9,695
Contract liabilities, which are included in deferred revenue	2,075	7,008

The contract assets relate to the Corporation's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Corporation issues an invoice to the customer. The contract liabilities relate to the advance consideration received from customers for which revenue is recognized over time.

The amount of $7.0 million recognized in contact liabilities at the beginning of the period has been recognized as revenue for the year ended December 31, 2018.

7. Direct Operating Expenses

(000's)	December 31, 2018	December 31, 2017
Wages and benefits	$ 179,173	$ 137,809
Job supplies	92,267	79,992
Rental equipment	5,909	4,081
Repairs & maintenance	8,122	7,590
Trucking costs	6,818	6,637
Other operating expenses	43,667	36,517
Direct costs	335,956	272,626
Depreciation	38,540	40,701
Amortization of intangibles	2,749	2,742
Impairment loss	-	3,457
Share based compensation	1,382	659
Gain on disposal of property, plant and equipment	(61)	(12,094)
	$ 378,566	$ 308,091

The amount of inventories recognized as an expense during the twelve months ended December 31, 2018 is $60.3 million (2017 - $24.9 million).

8. Selling & Administrative Expenses

(000's)	December 31, 2018	December 31, 2017
Salaries and benefits	$ 14,673	$ 13,613
Other selling & administrative expenses	6,933	7,798
Selling & administrative expenses	21,606	21,411
Share based compensation	1,369	515
	$ 22,975	$ 21,926

9. Personnel expenses

(000's)		December 31, 2018		December 31, 2017
Wages, salaries & benefits	$	190,705	$	148,597
Contributions to defined contribution plans		3,141		2,825
Share based compensation		2,751		1,174
	$	196,597	$	152,596

The Corporation has two types of defined contribution plans: a registered defined contribution plan covering a number of its employees and a collectively bargained plan covering union employees. Under the registered defined contribution plan, the Corporation matches individual contributions up to a maximum of 5% of the employee's annual salary. Under the collectively bargained plan, the Corporation contributes a set amount per hour worked.

10. Finance Costs

(000's)		December 31, 2018		December 31, 2017
Interest Expense	$	2,659	$	2,728
Accretion of provisions		235		96
	$	2,894	$	2,824

11. Income Taxes

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

(000's)		December 31, 2018		December 31, 2017
Income (loss) before tax	$	(10,123)	$	(8,759)
Combined federal and provincial income tax rate		27.0%		27.0%
Expected income tax expense (recovery)	$	(2,733)	$	(2,365)
Non-deductible share based compensation		283		317
Differences in jurisdictional tax rates		(69)		271
Share issuance costs		-		10
Revisions to prior year tax estimates		-		(66)
Deferred taxes not recognized		406		641
Rate differential on non-capital loss carryback		-		258
Non-taxable portion of capital gain		(10)		(85)
Non-deductible and other		196		103
	$	(1,927)	$	(916)

For the year ended December 31, 2018 income tax recovery was $1.9 million (2017 - $0.9 million), with an effective tax rate of 19.0% (2017 – 10.5%). The increase in income tax recovery was attributable to a larger net loss for the year ended December 31, 2018 combined with the decrease in permanent differences resulting from the legislative rate change and rate differential on loss carryback in the prior year, as well as fewer unrecognized non-capital losses in foreign jurisdictions in the current year.

Deferred tax assets and liabilities

(a) The Corporation has non-capital losses for Canadian tax purposes of $30.4 million available to reduce future taxable income in Canada, and non-capital losses for United States tax purposes of $0.8 million available to reduce future taxable income in the United States, which will expire after 2022.

11. Income Taxes (continued)

Deferred tax assets and liabilities (continued)

(b) Deferred tax assets have not been recognized in respect of the following items:

(000's)	December 31, 2018	December 31, 2017
Tax losses	$ 2,049	$ 1,679

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

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

	Assets		Liabilities		Net	
(000's)	2018	2017	2018	2017	2018	2017
Property, plant and equipment	$ 137	$ 103	$ (53,267)	$ (54,789)	$ (53,130)	$ (54,686)
Intangible assets	3,041	2,600	(328)	(398)	2,713	2,202
Goodwill	1,913	2,038	(151)	(151)	1,762	1,887
Non-capital loss carry forwards	6,628	581	-	-	6,628	581
Net capital loss carry forwards	-	166	-	-	-	166
Restructuring costs	69	65	-	-	69	65
Asset retirement obligation	3,586	3,932	-	-	3,586	3,932
Reserves	434	57	(2,174)	(184)	(1,740)	(127)
Foreign exchange adjustments	1	1	-	-	1	1
Share issue costs	$ 797	470	$ -	-	797	470
Deferred tax asset					$ -	$ -
Deferred tax liability					(39,314)	(45,509)
					$ (39,314)	$ (45,509)

Movements in temporary differences during the year ended December 31, 2018 are as follows:

(000's)	December 31, 2017	Recognized in profit and loss	Recognized in equity	Recognized from business combination	December 31, 2018
Property, plant and equipment	$ (54,686)	$ 1,517	$ -	$ 39	$ (53,130)
Intangible assets	2,202	511	-	-	2,713
Goodwill	1,887	(125)	-	-	1,762
Non-capital loss carry forwards	581	3,517	-	2,530	6,628
Net capital loss carry forwards	166	(166)	-	-	-
Restructuring costs	65	4	-	-	69
Asset retirement obligation	3,932	(346)	-	-	3,586
Reserves	(127)	(1,613)	-	-	(1,740)
Foreign exchange adjustments	1	-	-	-	1
Share issue costs	470	(371)	698	-	797
	$ (45,509)	$ 2,928	$ 698	$ 2,569	$ (39,314)

11. Income Taxes (continued)

Deferred tax assets and liabilities (continued)

Movements in temporary differences during the year ended December 31, 2017 are as follows:

(000's)	December 31, 2016	Recognized in profit and loss	Recognized in equity	Recognized from business combination	December 31, 2017
Property, plant and equipment	$ (51,396)	$ (3,290)	$ -	$ -	$ (54,686)
Intangible assets	1,708	494	-	-	2,202
Goodwill	2,029	(142)	-	-	1,887
Non-capital loss carry forwards	479	102	-	-	581
Net capital loss carry forwards	241	(75)	-	-	166
Restructuring costs	37	28	-	-	65
Asset retirement obligation	3,514	418	-	-	3,932
Reserves	(60)	(67)	-	-	(127)
Foreign exchange adjustments	4	(3)	-	-	1
Share issue costs	692	(222)	-	-	470
	$ (42,752)	$ (2,757)	$ -	$ -	$ (45,509)

12. Trade and other receivables

(000's)	December 31, 2018	December 31, 2017
Trade receivable	$ 28,469	$ 44,469
Accrued receivable	30,687	12,953
Construction receivables	45,910	43,274
Other receivables	960	1,034
	106,026	101,730
Allowance for doubtful accounts	(3,059)	(2,965)
Trade and other receivables	$ 102,967	$ 98,765

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. The Corporation estimates that the carrying value of financial assets within trade and other receivables approximate their fair value.

13. Inventories

(000's)	December 31, 2018	December 31, 2017
Raw materials	$ 4,228	$ 3,904
Finished goods	4,554	3,523
	$ 8,782	$ 7,427

14. Property, Plant and Equipment

Cost *(000's)*	Balance December 31, 2017	Additions	Disposals	Additions from Business Combinations	Impact of Foreign Translation	Balance December 31, 2018
Camp facilities, setup & installation	$ 416,034	$ 25,368	$ (30,355)	$ -	$ -	$ 411,047
Land & buildings	63,001	2,097	(5,979)	377	-	59,496
Automotive & trucking equipment	44,315	3,342	(3,993)	173	-	43,837
Mats	20,203	8,737	(4,705)	-	-	24,235
Furniture, fixtures & other equipment	6,211	1,157	(1,514)	627	-	6,481
Asset retirement obligations	14,321	3,907	(3,646)	-	-	14,582
Assets under construction	2,100	(1,445)	-	-	-	655
	$ 566,185	$ 43,163	$ (50,192)	$ 1,177	$ -	$ 560,333

Accumulated Depreciation *(000's)*	Balance December 31, 2017	Depreciation	Disposals	Impact of Foreign Translation	Balance December 31, 2018
Camp facilities, setup & installation	$ 160,046	$ 23,553	$ (21,624)	$ -	$ 161,975
Land & buildings	12,274	2,138	(1,400)	-	13,012
Automotive & trucking equipment	30,647	4,461	(3,124)	-	31,984
Mats	13,653	4,185	(2,990)	-	14,848
Furniture, fixtures & other equipment	4,616	676	(702)	-	4,590
Asset retirement obligations	6,827	3,527	(3,553)	-	6,801
Assets under construction	-	-	-	-	-
	$ 228,063	$ 38,540	$ (33,393)	$ -	$ 233,210

Carrying Amounts *(000's)*	Balance December 31, 2017	Balance December 31, 2018
Camp facilities, setup & installation	$ 255,988	$ 249,072
Land & buildings	50,727	46,484
Automotive & trucking equipment	13,668	11,853
Mats	6,550	9,387
Furniture, fixtures & other equipment	1,595	1,891
Asset retirement obligations	7,494	7,781
Assets under construction	2,100	655
	$ 338,122	$ 327,123

On January 8, 2018, the Corporation purchased a 288 person Camp Facility south of Fort McMurray, Alberta for an aggregate purchase price of $14.0 million including the issuance of 665,779 common shares of the Corporation with a fair value of $1.50 per share for a total value of $1.0 million.

As set out in Note 5, the Corporation acquired assets in the Shelter business combination as at the acquisition date of April 16, 2018 with a fair value of $0.3 million and on November 1, 2018, the Corporation acquired assets in the C&V business combination with a fair value of $0.8 million.

14. Property, Plant and Equipment (continued)

Cost *(000's)*	Balance December 31, 2016	Additions	Disposals	Reclassification to assets held for sale	Impact of Foreign Translation	Balance December 31, 2017
Camp facilities, setup & installation	$ 456,452	$ 9,660	$ (39,987)	$ (10,085)	$ (6)	$ 416,034
Land & buildings	62,341	2,302	(1,642)	-	-	63,001
Automotive & trucking equipment	44,255	4,838	(4,778)	-	-	44,315
Mats	19,954	6,082	(5,833)	-	-	20,203
Furniture, fixtures & other equipment	8,293	(346)	(1,736)	-	-	6,211
Asset retirement obligations	12,692	1,827	(198)	-	-	14,321
Assets under construction	1,452	648	-	-	-	2,100
	$ 605,439	$ 25,011	$ (54,174)	$ (10,085)	$ (6)	$ 566,185

Accumulated Depreciation *(000's)*	Balance December 31, 2016	Depreciation	Disposals	Reclassification to assets held for sale	Impact of Foreign Translation	Balance December 31, 2017
Camp facilities, setup & installation	$ 157,197	$ 27,469	$ (21,109)	$ (3,505)	$ (6)	$ 160,046
Land & buildings	12,590	1,323	(1,639)	-	-	12,274
Automotive & trucking equipment	29,683	4,754	(3,790)	-	-	30,647
Mats	13,309	3,959	(3,615)	-	-	13,653
Furniture, fixtures & other equipment	4,997	1,197	(1,578)	-	-	4,616
Asset retirement obligations	4,892	1,999	(64)	-	-	6,827
Assets under construction	-	-	-	-	-	-
	$ 222,668	$ 40,701	$ (31,795)	$ (3,505)	$ (6)	$ 228,063

Carrying Amounts *(000's)*	Balance December 31, 2016	Balance December 31, 2017
Camp facilities, setup & installation	$ 299,255	$ 255,988
Land & buildings	49,751	50,727
Automotive & trucking equipment	14,572	13,668
Mats	6,645	6,550
Furniture, fixtures & other equipment	3,296	1,595
Asset retirement obligations	7,800	7,494
Assets under construction	1,452	2,100
	$ 382,771	$ 338,122

(a) Assets under construction

At December 31, 2018 and December 31, 2017, included in capital assets under construction are internal information technology projects under development, and fleet equipment under construction for expansion purposes. The Corporation has not capitalized any borrowing costs for the twelve months ended December 31, 2018 (2017 - nil), due to the short-term nature of construction.

(b) Finance lease arrangements

Included in property, plant and equipment is equipment under finance lease arrangements with a net book value of $1.0 million at December 31, 2018 (2017 - $2.7 million).

14. Property, Plant and Equipment (continued)

(c) Impairment indicators

For the purpose of impairment testing, the Corporation's assets are grouped and reviewed at the CGU level which represent the lowest level at which cash flows are generated.

The Corporation reviews the carrying value of the property, plant and equipment assets at each reporting period for indications of impairment and considers both qualitative and quantitative factors when determining whether an asset or CGU may be impaired. During the year ended December 31, 2018 the Corporation determined that the excess of the carrying amount of the net assets of the Corporation over the market capitalization of the Corporation was considered an indicator of impairment. This indicator of impairment was noted for the Camps & Catering, Matting, Relocatable Structures and Manufacturing CGUs.

(d) Impairment testing for cash-generating units

The recoverable amounts of the CGUs were determined based on value in use calculation using discounted future cash flows generated from the continuing use of the unit over a five year period which incorporates the Corporation's 2019 budget approved by the Board of Directors and estimated growth rates in subsequent years. The calculation of the value in use was based on the following key assumptions:

- The approved 2019 budget uses current contracts and market conditions to project revenue. Costs are calculated using historical gross margins and additional known or pending factors.
- The projections were based on a five year forecasted cash flow and extrapolated over the remaining useful life of the primary assets and discounted at a post-tax rate of 13.90% (2017 – 14.88%) for all CGUs. The discount rate was estimated based on the Corporation's weighted average cost of capital, taking into account the nature of the assets being valued and their specific risk profile.
- Based on management's best estimates at December 31, 2018, a historic five year average utilization, direct labour hours, revenue per rentable day and profit margins, plus a 2% price inflation per year, were used to project cash flows from 2020 to 2023 in the Camps & Catering, and Matting CGUs. Based on management's best estimate at December 31, 2018 a 5% to 15% growth rate was used to project the cash flows from 2020 to 2023 for the Camps & Catering and Relocatable Structures CGUs.
- The cash flows beyond 2023 have been extrapolated using a 2% per annum growth rate.
- The forecasted cash flows are based on management's best estimates of future pricing, asset utilization, rates for available equipment and costs to maintain that equipment.

The results of the tests indicated no impairment for the Camps & Catering, Matting, Relocatable Structures, and Manufacturing CGUs as at December 31, 2018 (2017 –$nil).

The most sensitive inputs to the value in use model used for all CGU's are the discount rate, inflation rate and the growth rate:

- All else being equal, a 1.0% increase in the discount rate for the Camps & Catering CGUs would have resulted in the carrying amount exceeding the recoverable amount by $2.9 million.
- All else being equal, a 0.5% decrease in the inflation rates would not have resulted in any of the CGUs carrying amounts exceeding the recoverable amounts.
- All else being equal, a 1.0% decrease in the growth rate would not have resulted in any of the CGUs carrying amounts exceeding the recoverable amounts.

15. Intangible Assets and Goodwill

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

Cost *(000's)*	Balance December 31, 2017	Disposals	Additions from business combinations	Balance December 31, 2018
Trade names	$ 1,590	$ -	$ -	$ 1,590
Architectural design	439	-	-	439
Customer contracts	6,053	-	-	6,053
	$ 8,082	$ -	$ -	$ 8,082

Amortization *(000's)*	Balance December 31, 2017	Amortization		Balance December 31, 2018
Trade names	$ 361	$ 234	$	$ 595
Architectural design	139	88		227
Customer contracts	3,234	2,427		5,661
	$ 3,734	$ 2,749	$ -	$ 6,483

Carrying Amounts *(000's)*	Balance December 31, 2017	Balance December 31, 2018
Trade names	$ 1,229	$ 995
Architectural design	300	212
Customer contracts	2,819	392
	$ 4,348	$ 1,599

15. Intangible Assets and Goodwill (continued)

Cost *(000's)*		Balance December 31, 2016		Additions		Additions from business combinations		Balance December 31, 2017
Trade names	$	1,590	$	-	$	-	$	1,590
Architectural design		439		-		-		439
Customer contracts		6,053		-		-		6,053
	$	8,082	$	-	$	-	$	8,082

Amortization *(000's)*		Balance December 31, 2016		Amortization		Balance December 31, 2017
Trade names	$	134	$	227	$	361
Architectural design		51		88		139
Customer contracts		807		2,427		3,234
	$	992	$	2,742	$	3,734

Carrying Amounts *(000's)*		Balance December 31, 2016		Balance December 31, 2017
Trade names	$	1,456	$	1,229
Architectural design		388		300
Customer contracts		5,246		2,819
	$	7,090	$	4,348

Goodwill *(000's)*		Balance December 31, 2018		Balance December 31, 2017
Balance - beginning of year	$	20,545	$	20,348
Additions through business combinations (Note 5)		4,247		197
	$	24,792	$	20,545

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

For the purpose of impairment testing, goodwill is allocated to the Corporation's CGU which represent the lowest level at which goodwill is monitored for internal management purposes and which are not higher than the Corporation's operating segments. At December 31, 2018, Goodwill, with a carrying amount of $17.2 million was allocated to the Camps & Catering CGU and $7.6 million was allocated to the Manufacturing CGU.

The recoverable amounts of the CGUs were determined based on a value in use calculation which was determined by discounting future cash flows generated from the continuing use of the unit on a five year forecast which incorporates the Corporation's 2019 budget approved by the Board of Directors. Additionally, information in relation to the impairment test is disclosed in Note 14(e).

The results of the tests indicated no impairment for the Camps & Catering and Manufacturing CGU's at December 31, 2018 (2017 – nil).

16. Other Assets

The Corporation's other assets consists of a 25 year prepaid lease for a building and land to accommodate a portion of the Corporation's manufacturing operations in Kamloops, British Columbia with a carrying amount of $1.9 million (2017 - $2.0 million). The amount expensed during the year ended December 31, 2018 related to the prepaid lease was $0.1 million (2017 - $0.1 million) with 16 years remaining on the contract.

Also included in the Corporation's other assets is an investment held for sale measured at fair value through profit and loss. At December 31, 2018 the financial asset had a fair value of $0.9 million (2017 - $Nil).

17. Loans and Borrowings

(000's)	December 31, 2018	December 31, 2017
Committed credit facility	$ 30,894	$ 73,016

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

On March 27, 2018, the Corporation amended its committed credit facility ("credit facility") extending the maturity date to September 30, 2020. The credit facility has an available limit of $150.0 million and is secured with a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Debt to EBITDAS is calculated as at the most recently completed calendar quarter and for the 12 months ended on such date. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 2.25% or the Bankers' Acceptance rate plus 1.50% to 3.25%. The credit facility has a standby fee ranging from 0.34% to 0.73%. The credit facility is subject to the following financial covenants:

Debt Covenants	Covenants Calculation December 31, 2018
Maximum Consolidated Senior debt (1) to Consolidated Adjusted EBITDAS ratio (3)(4) (must be 3.00:1.00 or less)	0.84:1.00
Maximum Consolidated Total debt (2) to Consolidated Adjusted EBITDAS ratio (3)(5) (must be 4.25:1.00 or less)	0.86:1.00
Minimum Consolidated Interest coverage ratio(6) (must be 3.00:1.00 or more)	12.02:1.00

(1) Senior debt is calculated as the sum of current and long-term portions of total loans and borrowings less vehicle and equipment financing.
(2) Total debt is calculated as the sum of current and long-term portions of total loans and borrowings.
(3) EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment, gain/loss on disposal of property, plant and equipment, and earnings from equity investments) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.
(4) Senior debt to EBITDAS is calculated as the ratio of senior debt to trailing 12 months EBITDAS.
(5) Total debt to EBITDAS is calculated as the ratio of total debt to trailing 12 months EBITDAS.
(6) Interest coverage is calculated as the ratio of trailing 12 months Adjusted EBITDAS to 12 months trailing interest expense on loans and borrowings.

As at December 31, 2018, the Corporation was in compliance with all financial and non-financial covenants related to the Credit Facility.

18. Asset retirement obligations

Provisions include constructive site restoration obligations for camp projects to restore lands to previous condition when camp facilities are dismantled and removed.

(000's)	December 31, 2018	December 31, 2017
Balance, beginning of year	$ 14,564	$ 13,082
Additions	3,768	1,620
Discount rate change	(23)	(254)
Accretion of provisions	235	96
Asset retirement obligations settled	(5,424)	(441)
Revisions	162	461
Balance, end of year	$ 13,282	$ 14,564

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, at inflated prices, and discounted using a risk-free rate. The future value amount at December 31, 2018 was $14.3 million (2017 - $15.9 million) and determined using risk free interest rates of 1.85% to 2.13% (2017 - 1.66% to 1.97%) and an inflation rate of 2.0% (2017 – 2.0%). The timing of these payments is dependent on various factors, such as the estimated lives of the equipment and industry activity in the region but is anticipated to occur between 2019 and 2028.

(000's)	December 31, 2018	December 31, 2017
Current	$ 1,835	$ 3,347
Non-current	11,447	11,217
Balance, end of year	$ 13,282	$ 14,564

19. Leases and commitments

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

Maturity date	Amount *(000's)*
February 1, 2019	$ 50
February 25, 2019	25
July 18, 2019	5
August 21, 2019	53
September 26, 2019	15
September 29, 2019	84
November 2, 2019	74

(b) The Corporation has entered into finance lease agreements for equipment with an average lease term 36 months (2017 – 18 months) and the obligations under finance leases are secured by the related assets. Interest rates for the underlying finance lease obligations are fixed at rates ranging from 5.0% to 5.3% per annum.

The Corporation also rents premises and equipment under multiple operating lease contracts with varying expiration dates.

The minimum lease payments under these leases over the next five years and beyond are as follows:

(000's)	Amount
2019	$ 5,397
2020	5,247
2021	4,854
2022	4,029
2023 and beyond	4,683
	$ 24,210

20. Share Capital

(a) Authorized

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

(b) Issued

	Number	Amount *(000's)*
Balance at December 31, 2016	144,622,006	$ 286,674
Share options exercised	53,333	80
Balance at December 31, 2017	144,675,339	$ 286,754
Share options exercised	87,666	181
Bought-deal equity financing	17,857,200	50,000
Common shares issued	1,648,783	3,330
Share issue costs, net of tax of $0.7 million	-	(1,888)
Balance at December 31, 2018	164,268,988	$ 338,377

On January 8, 2018, the Corporation acquired Moose Haven Lodge for an aggregate purchase price of $14.0 million including the issuance of 665,779 common shares of the Corporation with a fair value of $1.50 per share for a total value of $1.0 million.

On April 16, 2018, the Corporation acquired all of the issued and outstanding shares of Shelter Modular Inc. for an aggregate purchase price of $3.6 million including the issuance of 983,004 common shares of the Corporation with a fair value of $2.37 per share for a total value of $2.3 million (Note 5).

On June 25, 2018, the Corporation closed a bought deal equity financing agreement with a syndicate of underwriters that purchased 17,857,200 common shares of the Corporation for resale to the public, including overallotment, at a price of $2.80 per common share for gross proceeds of $50.0 million. In connection with the offering, the Corporation incurred approximately $2.5 million in transaction costs which included $2.3 million in agent fees. Total transaction costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2018.

(c) Share option plan

The Corporation has a share option plan for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and were set at three years. The Corporation uses graded vesting for share options over the period in which the option vests. All share options are equity settled with a weighted average remaining contractual life of 2.5 years and all options granted have a maximum term of 5 years.

20. Share Capital (continued)

(c) Share option plan (continued)

	Year ended December 31, 2018		Year ended December 31, 2017	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of period	8,342,385	$ 2.97	8,385,737	$ 4.15
Granted	2,115,707	2.53	2,633,000	1.46
Forfeited	(388,350)	3.42	(1,012,614)	3.69
Expired	(224,000)	6.73	(1,610,405)	6.28
Exercised	(87,666)	1.68	(53,333)	1.16
Balance, end of period	9,758,076	$ 2.78	8,342,385	$ 2.97

	Year ended December 31, 2018		Year ended December 31, 2017	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of period	4,029,525	$ 4.43	4,168,595	$ 5.71
Vested	2,165,855	1.78	1,995,285	3.31
Forfeited	(308,349)	3.91	(470,617)	5.10
Expired	(224,000)	6.73	(1,610,405)	6.28
Exercised	(87,666)	1.68	(53,333)	1.16
Balance, end of period	5,575,365	$ 3.38	4,029,525	$ 4.43

The exercise prices for options outstanding and exercisable at December 31, 2018 are as follows:

	Total options outstanding			Exercisable options	
Exercise price per share	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
\$1.16 to \$1.37	1,204,500	$ 1.17	2.3	766,498	$ 1.16
\$1.38 to \$1.53	2,226,834	1.47	3.4	707,832	1.47
\$1.54 to \$2.40	3,239,207	2.17	1.8	2,577,500	2.26
\$2.41 to \$3.09	1,564,000	2.76	4.5	-	-
\$3.10 to \$8.13	1,523,535	7.27	0.5	1,523,535	7.27
	9,758,076	$ 2.78	2.5	5,575,365	$ 3.38

The weighted average share price at the date of exercise for share options exercised during the year ended December 31, 2018 was \$2.53/share (2017 – \$1.45/share).

20. Share Capital (continued)

(c) Share option plan (continued)

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

	December 31, 2018	December 31, 2017
Fair value per option	$ 0.81	$ 0.47
Forfeiture rate	9.21%	8.51%
Grant price	$ 2.53	$ 1.46
Expected life	3.0 years	3.0 years
Risk free interest rate	1.96%	0.81%
Dividend yield rate	3.15%	5.47%
Volatility	54.78%	64.69%

Expected volatility is estimated by considering historic average share price volatility. For the twelve months ended December 31, 2018, share based compensation for share options included in operating earnings (loss) amounted to $1.0 million (December 31, 2017 – $0.7 million).

(d) Restricted share unit plan

The Corporation has a Restricted Share Unit (“RSU”) plan for its directors, officers and key employees whereby RSUs may be granted, subject to certain terms and conditions. Under the terms of the RSU plan, the awarded units will vest in three equal portions on the first, second and third anniversary from the grant date, and will be settled in cash in the amount equal to the fair market value of the Corporation’s stock price on that date.

The following table summarizes the RSUs outstanding:

	Number
Units outstanding at December 31, 2017	1,806,007
Granted	1,106,148
Forfeited	(172,258)
Settled	(747,283)
Units outstanding at December 31, 2018	1,992,614

The following table summarizes the RSUs fair value per unit at the time of issuance and as at December 31, 2018:

	Units Issued	Fair Value at Grant Date ($ per unit)	Fair Value at December 31, 2018 ($ per unit)
Opening balance	1,806,007		1.80
Issued on March 15, 2018	228,426	1.97	1.80
Issued on March 26, 2018	21,900	2.15	1.80
Issued on April 17, 2018	15,021	2.40	1.80
Issued on June 1, 2018	766,603	2.98	1.80
Issued on July 30, 2018	12,198	2.47	1.80
Issued on September 4, 2018	50,000	2.44	1.80
Issued on November 2, 2018	6,000	2.71	1.80
Issued on December 3, 2018	6,000	2.18	1.80

As at December 31, 2018, $0.3 million (2017 - $0.6 million) was included in accounts payable and accrued liabilities for outstanding RSUs. For the year ended December 31, 2018, share based compensation for RSUs included in operating earnings (loss) amounted to $1.7 million (2017 - $0.4 million), with a weighted average remaining term of 1.0 years.

21. Earnings Per Share

The calculation of basic earnings per share for the twelve months ended December 31, 2018 was based on the total loss attributable to common shareholders of $8.2 million (2017 – $7.8 million).

A summary of the common shares used in calculating earnings per share is as follows:

	December 31, 2018	December 31, 2017
Number of common shares, beginning of period	144,675,339	144,622,006
Weighted average effect of common shares issued	10,644,950	23,594
Weighted average common shares outstanding – basic	155,320,289	144,645,600
Effect of share purchase options[(1)]	-	-
Weighted average common shares outstanding – diluted	155,320,289	144,645,600

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

For the twelve months ended December 31, 2018, 9,758,076 share options (2017 – 8,342,385) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

22. Dividends

For the twelve months ended December 31, 2018, the Corporation paid dividends totaling $12.4 million respectively (December 31, 2017 - $11.6 million).

(000's except per share amounts)	2018		2017	
Record Date	Amount per share	Total dividend amount	Amount per share	Total dividend amount
March 31	$ 0.02	$ 2,907	$ 0.02	$ 2,892
June 30	0.02	3,285	0.02	2,893
September 30	0.02	3,285	0.02	2,894
December 31	0.02	3,285	0.02	2,894
	$ 0.08	$ 12,762	$ 0.08	$ 11,573

On March 12, 2019, the Corporation's Board of Directors declared a dividend for the first quarter of 2019 at $0.02 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2019 to be paid on April 15, 2019.

23. Financial Risk Management

(a) Overview

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

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

23. Financial Risk Management (continued)

(b) Credit risk

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

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

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

(000's)	December 31, 2018	December 31, 2017
Trade receivables		
Neither impaired nor past due	$ 16,944	$ 23,161
Outstanding 31-60 days	4,908	11,820
Outstanding 61-90 days	2,068	2,221
Outstanding more than 90 days	4,549	7,267
Total trade receivables	$ 28,469	$ 44,469
Construction receivables		
Neither impaired nor past due	$ 13,658	$ 18,655
Outstanding 31-60 days	73	918
Outstanding 61-90 days	1,055	-
Outstanding more than 90 days	2,124	14,006
Total construction receivables	$ 16,910	$ 33,579
Accrued revenue	30,687	12,953
Accrued construction revenue	29,000	9,695
Other receivables	960	1,034
Allowance for doubtful accounts	(3,059)	(2,965)
Total trade and other receivables	$ 102,967	$ 98,765

In the twelve months ended December 31, 2018, the Corporation provided an allowance for $3.1 million of receivables aged greater than 90 days and collected $32,000 that had previously been allowed for. The Corporation also applied $1.1 million of allowance for doubtful accounts against the associated receivable balance. As at March 12, 2019, the Corporation has collected $0.6 million on amounts outstanding more than 90 days.

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed, amounts recognized as revenue under open construction contracts not billed to customers and highly probable claims. At December 31, 2018, included in construction receivables were holdbacks of $6.9 million (2017 - $0.2 million).

23. Financial Risk Management (continued)

(c) Liquidity risk

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

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

As at December 31, 2018, the Corporation has $118.3 million of available room on its committed credit facility (Note 17). The following shows the timing of cash outflows relating to trade and other payables and loans and borrowings:

	December 31, 2018			December 31, 2017		
	Trade and other payables[1]	Loans and Borrowings[2]	Total	Trade and other payables[1]	Loans and Borrowings[2]	Total
2018	$ -	$ -	$ -	$ 37,936	-	$ 37,936
2019	51,937	-	51,937	-	73,016	73,016
2020	4,382	30,894	35,276	6,276	-	6,276
2021	-	-	-	-	-	-
2022	424	-	424	4,941	-	4,941
2023 and beyond	6,641	-	6,641	-	-	-
	$ 63,384	$ 30,894	$ 94,278	$ 49,153	$ 73,016	$ 122,169

(1) Trade and other payables include trade and other payables, income taxes payable, and provisions.
(2) Loans and borrowings include Horizon North's senior secured revolving term credit facility.

(d) Market risk

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

(i) Foreign currency exchange risk

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

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the twelve months ended December 31, 2018 by approximately $62,400 (December 31, 2017 - $77,000). This assumes that the quantity of USD raw material purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

(ii) Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Amounts drawn on the credit facility incur interest at bank prime plus 0.50% to 2.25% or the Bankers' Acceptance rate plus 1.50% to 3.25%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $0.6 million for the twelve months ended December 31, 2018 (December 31, 2017 - $0.7 million). This assumes that the amount and mix of fixed and floating rate debt in the year remains unchanged and that the change in interest rates is effective from the beginning of the year.

24. Capital Management

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

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

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

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

The Corporation's strategy during the twelve months ended December 31, 2018, which was unchanged from 2017, is to maintain an appropriate level of loans and borrowings in comparison to EBITDAS*(1)* and total loans and borrowings plus shareholders' equity.

(000's)	December 31, 2018	December 31, 2017
Statement of financial position components of ratios		
Current loans and borrowings (2)	$ 772	$ 1,588
Loans and borrowings (2)	30,894	73,016
Total loans and borrowings	$ 31,666	$ 74,604
Shareholders' equity	336,743	305,064
Total loans and borrowings plus shareholders' equity	$ 368,409	$ 379,668
Statement of comprehensive income components of ratios (trailing 12 months)		
Operating loss	$ (7,296)	$ (5,935)
Depreciation	38,540	40,701
Amortization	2,749	2,742
Impairment loss	-	3,457
Gain on disposal of property, plant and equipment	(61)	(12,094)
Share based compensation	2,751	1,174
EBITDAS (1)	$ 36,683	$ 30,045
Total loans and borrowings to EBITDAS (1)	0.86	2.48
Total loans and borrowings to total loans and borrowings plus shareholders' equity	0.09	0.20

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment, gain/loss on disposal of property, plant and equipment, and earnings from equity investments) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

(2) The Corporation's loans and borrowings include the committed credit facility and finance lease liabilities. The Corporation's variable-rate committed credit facility approximates its carrying value, as it is at a floating market rate of interest.

25. Operating segments

The Corporation operates in Canada through three operating segments: Camps & Catering, Rentals & Logistics and Modular Solutions.

The Camps & Catering segment combines the camps and catering operations, and the associated services. The Rentals & Logistics segment combines all other rental operations; mat rental operations, relocatable structures rental operations, transportation operations and the associated services. The Modular Solutions segment is comprised of all modular manufacturing and installation operations for commercial and residential end markets. Corporate includes the costs of head office administration, interest costs, taxes, other corporate costs and residual assets and liabilities.

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

Twelve months ended December 31, 2018 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 220,117	$ 44,152	$ 133,155	$ -	$ (3,179)	$ 394,245
EBITDAS(1)	27,565	12,404	10,466	(13,752)	-	36,683
Depreciation and amortization	29,465	10,001	1,395	425	3	41,289
(Gain) loss on disposal of assets	(174)	(541)	245	409	-	(61)
Share based compensation	360	147	216	2,028	-	2,751
Operating (loss) earnings	(2,086)	2,797	8,610	(16,614)	(3)	(7,296)
Total assets	344,297	54,436	70,810	2,867	-	472,410
Capital expenditures	26,385	10,356	2,416	288	-	39,445

Twelve months ended December 31, 2017 (000's)	Camps & Catering	Rentals & Logistics	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 224,430	$ 52,979	$ 46,755	$ -	$ (82)	$ 324,082
EBITDAS(1)	43,524	13,913	(14,626)	(12,766)	-	30,045
Depreciation and amortization	30,466	10,304	2,030	645	(2)	43,443
Impairment loss on re-measurment of assets held for sale	3,457	-	-	-	-	3,457
(Gain) loss on disposal of assets	(11,900)	(285)	(4)	147	(52)	(12,094)
Share based compensation	219	22	127	806	-	1,174
Operating earnings (loss)	21,282	3,872	(16,779)	(14,364)	54	(5,935)
Total assets	346,824	62,875	64,195	5,856	-	479,750
Capital expenditures	11,799	6,401	1,309	606	-	20,115

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, share based compensation, impairment, gain/loss on disposal of property, plant and equipment, and earnings from equity investments) is not a recognized measure under IFRS. Management believes that in addition to total profit and total comprehensive income, EBITDAS is a useful supplemental earnings measure as it provides an indication of the Corporation's operating performance and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

26. Related Parties

(000's)	December 31, 2018	December 31, 2017
Joint venture		
Recovery of administrative overhead	$ -	$ 60
Key management personnel interests		
Sales	$ 256	$ 1,264
Included in accounts receivable	84	140

26. Related Parties (continued)

For the year ended December 31, 2017, the Corporation earned a management fee of $60,000 for the recovery of administrative overhead related to accounting and management services provided to Arctic Oil & Gas Services Ltd ("AOGS"), a joint venture that was 50% owned by the Corporation. As at December 31, 2017, the Corporation sold the 50% investment in AOGS for total consideration of $1.

During the year ended December 31, 2017, AOGS earned revenue of $1.1 million for catering services provided to E. Gruben's Transport Ltd, of which a director of the Corporation is the Chief Executive Officer. The amounts included in trade receivables of AOGS as at December 31, 2017 were $0.1 million.

The Corporation earned revenue during the year ended December 31, 2018 of $0.3 million (2017 – $0.1 million) for catering services provided to Trican Well Service Ltd., of which a director of the Corporation is a Director. There was $0.1 million (2017 - $nil) included in trade receivables as at December 31, 2018.

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

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel of the Corporation include its named executive officers and the board of directors.

Key management personnel compensation for the year ended December 31, 2018 and 2017 is comprised as follows:

(000's)		December 31, 2018		December 31, 2017
Short-term employee benefits	$	2,936	$	2,148
Post-employment benefits		65		82
Share based compensation		1,510		943
	$	4,511	$	3,173

27. Supplemental Information

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

(000's)		December 31, 2018		December 31, 2017
Trade and other receivable	$	(3,364)	$	(42,221)
Inventories		(1,355)		(2,168)
Prepayments		1,061		(1,479)
Investment held for sale		(858)		-
Trade and other payables		14,721		4,464
Deferred revenue		(4,933)		5,231
Purchases of rental fleet		(7,409)		(4,519)
Finance cost payable		(6)		110
	$	(2,143)	$	(40,582)

28. Significant Subsidiaries

The consolidated financial statements of the Corporation include the accounts of its one wholly-owned partnership, as well as ten special purpose entities:

Subsidiary Name	Country of Incorporation	Ownership Interest (%) December 31, 2018	December 31, 2017
Horizon North Camp & Catering Partnership	Canada	100	100
Kitikmeot Camp Solutions Limited ("Kitikmeot")	Canada	49	49
Acho Horizon North Camp Services Limited Partnership ("Acho")	Canada	49	49
Secwepemc Camp & Catering Limited Partnership ("Secwepemc")	Canada	49	49
Halfway River Horizon North Camp Services Limited Partnership ("HRHN")	Canada	49	49
Two Lakes Horizon North Camp Services Limited Partnership ("TLHN")	Canada	49	49
Tahltan Horizon North Services Inc.("Tahltan")	Canada	49	49
Acden Horizon North Limited Partnership ("Acden")	Canada	49	49
Sekui Limited Partnership ("Sekui")	Canada	49	49
Eclipse Camp Solutions Incorporated ("Eclipse")	Canada	49	
Skin Tyee Horizon North Camp Services Limited Partnership ("STHN")	Canada	49	

The Partnership is the primary operating entity of the Corporation.

(a) Special purpose entities

The Corporation has a 49% interest in the ownership and voting rights of Kitikmeot, Acho, Secwepemc, HRHN, TLHN, Tahltan, Acden, Sekui, Eclipse, and STHN and maintains two out of four board of director seats in these special purpose entities ("SPE"). These SPE's are consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE's risks and rewards, the Corporation concludes that it controls the SPE. The SPE's do not generate profit but rather have limited assets and the only non-flow through expenses are management fees paid to the partners. An aboriginal billing vehicle or partnership is required to achieve aboriginal participation and secure projects in specific regions of Canada. The Corporation's control is established under terms that impose strict limitations on the decision-making powers of the SPE's management. The control results in the Corporation receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities and retaining the majority of the residual or ownership risks related to the SPE's or their assets.

29. Seasonality

Some of Horizon North's businesses are affected by the seasonality associated with western Canadian oil and natural gas drilling industry. The Camps & Catering segment is exposed to seasonality where the busiest months are January through March and the slowest months are April through September. The Rentals & Logistics segment is typically busiest in the spring and summer months of April through September when soft ground conditions hinder the movement of heavy equipment. Modular Solutions segment is not impacted by seasonality.