



COMPLEX STEEL STRUCTURES
AND HEAVY STEEL BUILT-UPS
FOR THE NON-RESIDENTIAL
CONSTRUCTION INDUSTRY

QUARTERLY REPORT 2

Three-Month and Six-Month Periods Ended July 31, 2011

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MESSAGE TO SHAREHOLDERS

As economic conditions remain difficult in ADF Group's key markets, especially in the United States, we continue to focus on the efficient, disciplined and profitable management of our business, without losing sight of our longer-term growth objectives. In line with ADF's performance during the previous quarters, results for the second quarter of fiscal 2012 attest to the merits of this strategy with respect to the Corporation's profitability and the solidity of its financial position.

For the three-month period ended July 31, 2011, ADF Group's financial performance was not only comparable to that of the previous year and consistent with management's expectations, but it contributed to further strengthen the Corporation's cash position and overall financial health. Please note that the financial information disclosed by ADF Group since the beginning of the current fiscal year reflects the application of the new International Financial Reporting Standards (IFRS).

Second-quarter revenues amounted to \$13.1 million, posting a slight growth over the same quarter of the previous year despite an appreciation of approximately 7% in the Canadian dollar against the U.S. dollar between the two reporting periods. The gross profit margin as a percentage of revenues was stable, at 24%. This sound performance of our fabrication operations combined with effective control over our general expenses enabled the Corporation to maintain its second-quarter net earnings at a comparable level as the previous year, being \$0.8 million or \$0.02 per share (basic and diluted), despite a less favourable exchange rate and tax rate than last year.

For the six-month period ended July 31, 2011, ADF Group recorded year-to-date revenues of \$26.3 million, compared with \$26.6 million the previous year, whereas the gross margin stood at 24% versus 26% a year earlier. Besides the negative impact of currency fluctuations, these variations primarily reflect a different revenue mix. ADF Group closed the first half of fiscal 2012 with net earnings of \$1.9 million or \$0.06 per share (basic and diluted), compared with \$2.8 million or \$0.08 per share (basic and diluted) a year earlier. In addition to the aforementioned factors, this decline can be explained by the non-recurrence of certain favourable items recognized last year, the realization of lower exchange gains than the previous year and a higher tax rate.

In terms of cash flows, the Corporation's operating activities provided liquidities of \$4.2 million in the second quarter and \$9.3 million for the first six months ended July 31, 2011, as a result mainly of the efforts made in recent quarters to accelerate the collection cycle of our accounts receivable. These funds further improved the financial position of the Corporation which, as of July 31, 2011, had working capital of \$42.2 million, including short-term available liquidities (cash, cash equivalents and short-term investments) of \$28.7 million. Therefore, available liquidities exceeded ADF Group's total debt by \$20.7 million, placing the Corporation in a solid position to support its ongoing operations, pursue its development projects and remunerate its shareholders in accordance with the dividend payment policy implemented by our Board of Directors at the beginning of fiscal 2012.

In this regard, we are pleased to inform our shareholders that the Board of Directors has approved the payment of a second semi-annual dividend for the current fiscal year, in the amount of \$0.01 per subordinate and multiple voting shares. This dividend will be paid on October 17, 2011 to shareholders of record as at September 22, 2011.

Outlook

As at July 31, 2011, ADF Group's order backlog stood at \$53.0 million, the execution schedule of which should extend until the end of the second quarter of the Corporation's 2013 fiscal year. Although current economic conditions are still a concern in the United States, the major mandates on which we are presently working as part of the restoration of the World Trade Center, in New York City, will not only provide a stream of profits for ADF Group over the next quarters, but also strengthen our position in this market likely to undergo new growth within a few years. In order to replenish our order backlog in the near term, we are mostly focusing our development efforts on the Canadian market where the economic outlook is more favourable. The joint venture we are pursuing with a partner to set up a fabrication plant in Manitoba is progressing according to plans. We are confident that this facility, which will enable us to participate in the dynamic Western Canadian economy while giving ADF access to other geographic markets, will be operational in 2012.

Note to the Readers

All financial information discussed in this Message to Shareholders, except where otherwise indicated, is presented in accordance with International Financial Reporting Standards (IFRS). A detailed description of ADF Group's transition to IFRS is provided in the Management's Report and accompanying notes to the condensed interim consolidated financial statements for the quarter ended July 30, 2011.

We also remain on the lookout for business opportunities in the public and industrial infrastructures segments in Eastern Canada, including in Quebec. Finally, we are looking for strategic partnership opportunities on the international scene that would leverage ADF Group's distinctive strengths in its areas of expertise, beginning with its technological advance and outstanding quality of its workforce.

/ Signed /

Jean Paschini

Chairman of the Board and Chief Executive Officer

Terrebonne, Quebec, September 6, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Changes in Financial Position and Operating Results



The purpose of this management's discussion and analysis of the financial position and operating results ("MD&A") is to provide the reader with an overview of the changes in the financial position of ADF Group Inc. ("ADF" or the "Corporation") between May 1, 2011 and July 31, 2011. It also compares the operating results and cash flows for the three-month and six-month periods ended July 31, 2011 to those of the same periods the previous year. This MD&A covers all major events that occurred between May 1, 2011 and September 6, 2011, on which date ADF Group's Board of Directors approved the condensed interim consolidated financial statements, as well as the MD&A for the three-month and six-month periods ended July 31, 2011.

This analysis should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended July 31, 2011, as well as the audited consolidated financial statements dated January 31, 2011. The unaudited condensed interim consolidated financial statements and the comparative information have been prepared in accordance with International Financial Reporting Standard 1 "First-time Adoption of International Financial Reporting Standards ("IFRS")" and with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") (see Section "International Financial Reporting Standards" hereinafter). The Corporation reports its results in Canadian dollars. All amounts in this MD&A and in the tables are expressed in Canadian dollars, except where otherwise indicated.

FORWARD-LOOKING STATEMENTS

In order to provide shareholders and potential investors with information regarding ADF, in particular Management's assessment of future plans and operations, certain statements in this MD&A are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Corporation's actual performance to differ from those expressed in or implied by these forward-looking statements.

Such factors include, but are not limited to the impact of economic conditions in Canada and the United States; industry conditions including amendments in laws and regulations; increased competition; potential shortfall of qualified personnel or management; availability and fluctuations in commodity prices, foreign exchange or interest rate fluctuations; stock market volatility and the impact of accounting policies issued by Canadian, U.S. and international standard setters. Some of these factors are further discussed under Section "External Factors to Which the Corporation's Performance is Exposed" in this MD&A. It should be noted that the list of factors that may affect future growth, results and performance, provided in this MD&A, is not exhaustive. The reader should not place undue reliance on forward-looking statements.

The expectations expressed by the forward-looking statements are based on information available to the Corporation on the date such statements were made. However, there can be no assurance that such estimates will prove to be correct. All subsequent forward-looking statements made, whether written or verbally, by the Corporation or persons acting on its behalf, are expressly qualified in their entirety by the caveats referred above. Unless otherwise required by applicable securities legislations, the Corporation expressly disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

From a blacksmith shop founded in 1956, ADF Group Inc. has become over the years a North American leader in the design and engineering of connections, fabrication and installation of complex steel superstructures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential construction market: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes and nuclear facilities, as well as transport infrastructures. The Corporation operates a modern 58,530-square-metre (630,000-square-foot) fabrication plant in Canada and uses the latest technologies in its industry.

A pioneer in the development and implementation of innovative solutions, the Corporation is recognized for its engineering expertise, its project management, its important fabrication capacity and its skills in two specialized market niches: the fabrication of steel superstructures with a high level of architectural and geometric complexity, as well as projects subject to fast-track schedules. In addition, since December 2009, ADF complies with the nuclear system requirements in effect in America, which allowed the Corporation to add the fabrication of steel structures for the construction or refurbishment of nuclear power plants to its range of services.

Its commitment to deliver every project in accordance with the industry's highest quality standards constitutes a core aspect of the Corporation's mission.

ADF serves a diversified client base in the non-residential construction market:

- General construction contractors;
- Project owners;
- Engineering firms and project architects;
- Structural steel erectors; and
- Other steel structure fabricators.

EXCHANGE RATE

The Corporation is subject to foreign currency fluctuations from the translation of revenues, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated in foreign currency. Average rates (considered a reasonable approximation to actual rates) are used to translate revenues (except for foreign exchange forward contracts) and expenses for the periods mentioned, while closing rates translate assets and liabilities. During the quarter ended July 31, 2011, as well as during previous quarters, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

(CA\$/US\$)	Statements of Income and Comprehensive Income		Statement of Financial Position
	Quarterly	Cumulative	
Second Quarter (July 31, 2010)	1.0409	1.0345	1.0283
Third Quarter (October 31, 2010)	1.0313	1.0334	1.0202
Fourth Quarter (January 31, 2011)	1.0052	1.0264	1.0015
First Quarter (April 30, 2011)	0.9741	0.9741	0.9464
Second Quarter (July 31, 2011)	0.9673	0.9707	0.9555

The value of the Canadian dollar in relation to the U.S. dollar continues to exert a pressure on the Corporation's results. As indicated in the table above, the Canadian dollar increased by 7% during the three-month and six-month periods ended July 31, 2011. Despite this adverse impact, ADF Group maintained its results, in part due to its foreign exchange contract policy and investments in recent years in order to uphold its market leadership and optimize its operational efficiency.

CHANGES IN ACCOUNTING POLICIES

Effective February 1, 2011, ADF adopted IFRS for financial reporting, using February 1, 2010 as the transition date. The financial statements for the quarter ended July 31, 2011, including the corresponding comparative information, have been prepared in accordance with International Accounting Standard IFRS 1 "First-time Adoption of International Financial Reporting Standards", and with International Accounting Standard IAS 34 "Interim Financial Reporting" as issued by the IASB. Previously, the Corporation prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") ("Canadian GAAP" or "Previous GAAP"). Unless otherwise noted, fiscal 2011 comparative information has been prepared in accordance with IFRS.

The adoption of IFRS has not had a significant impact on the Corporation's operations, strategic decisions and cash flows. Further information on the IFRS impacts is provided in Section "International Financial Reporting Standards ("IFRS")" of this MD&A, including reconciliation between Canadian GAAP and IFRS net income, income before interest, taxes and amortization ("EBITDA") excluding foreign exchange gains or losses and other financial metrics.

NON-IFRS MEASURES

The financial information in this MD&A has been prepared in accordance with IFRS, with the exception of certain financial indicators that do not have standardized meaning as prescribed by IFRS and Canadian GAAP, and therefore are considered non-IFRS and non-Canadian GAAP. When such indicators are used, they are defined and the reader is informed. The Corporation uses the following non-IFRS indicators to measure its operating performance and the achievement of objectives (see Section "Non-GAAP Measures" of the MD&A for the fiscal year ended January 31, 2011 for the definition of the following indicators):

(In thousands of \$, except for ratios and %)	6-Month Periods Ended July 31		12-Month Periods Ended January 31	
	2011	2010	2011	2010
Working capital	\$42,221	\$35,631	\$36,764	\$32,430
Current ratio	4.88 :1	3.86:1	3.81:1	4.47:1
Long-term debt to shareholders' equity	0.08 :1	0.11:1	0.09 :1	0.08:1
Total cash, cash equivalents and short-term investments, net of long-term debt, to shareholders' equity	0.22 :1	0.06:1	0.14 :1	0.11:1
Liabilities to shareholders' equity	0.17 :1	0.22:1	0.21 :1	0.16:1
EBITDA	\$2,527	\$5,755	\$10,922	\$14,160 ¹
EBITDA as a percentage of revenues	19.3%	21.63%	19.76%	21.5% ¹
Book value per share	\$2.85	\$2.77	\$2.84	\$2.57 ¹
Annualized return on shareholders' equity	4.7%	5.7% ¹	5.8%	7.9% ¹

1. Since February 1, 2010 was ADF's transition date to IFRS, the 2010 fiscal year's results are prepared under Canadian GAAP and have not been restated.

EBITDA and EBITDA Margin

EBITDA shows the extent to which the Corporation generates profits from operations, without considering the following items:

- Financial revenues and finance charges;
- Income tax expenses;
- Foreign exchange gains or losses; and
- Amortization of property, plant and equipment and intangible assets.

Net income is reconciled with EBITDA in the table below:

Periods ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of \$, except for per-share amounts and %)	\$	\$	\$	\$
Net income	774	833	1,855	2,814
Income tax expense	939	679	1,862	2,238
(Financial revenues) and finance charges	(54)	(36)	(89)	14
Amortization	851	908	1,732	1,684
Foreign exchange loss (gain)	17	172	(738)	(995)
EBITDA	2,527	2,556	4,622	5,755
— As a % of revenues	19.3%	19.7%	17.5%	21.6%

ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JULY 31, 2011

Revenues and Gross Margin

Although the economic slowdown in the Corporation's market continued during the first half of the 2012 fiscal year, its revenues for the second quarter of the 2012 fiscal year are slightly higher than those of the corresponding quarter of the 2011 fiscal year.

3-Month Periods Ended July 31,	2011	2010	Changes 2011/2010	
(In thousands of \$, except for %)	\$	\$	\$	%
Revenues	13,118	12,967	151	1.2
Cost of goods sold	9,995	9,899	96	1.0
Gross margin	3,123	3,068	55	1.8
— As a % of revenues	23.8%	23.7%	—	0.1%

6-Month Periods Ended July 31,	2011	2010	Changes 2011/2010	
(In thousands of \$, except for %)	\$	\$	\$	%
Revenues	26,347	26,608	(261)	(1.0)
Cost of goods sold	20,118	19,639	479	2.4
Gross margin	6,229	6,969	(740)	(10.6)
— As a % of revenues	23.6%	26.2%	—	(2.6)%

— Revenues

Revenues during the second quarters of the 2011 and 2012 fiscal years were comparable, in spite of the adverse impact of the 7% increase in the Canadian dollar in relation to the U.S. dollar. As mentioned in its MD&A for the fiscal year ended January 31, 2011, Management expected, and continues to expect, a relatively stable level of its revenues in the 2012 fiscal year and in the coming quarters. It should be noted that the amount and mix of revenues recorded on ongoing contracts during a given period are calculated using the costs incurred.

In terms of economic dependency, almost all of the Corporation's revenues during the three-month and six-month periods ended July 31, 2011 were realized with two clients, one of which having accounted for more than 10% of revenues. Although, the Corporation attempts to limit the concentration of its revenues, given the nature of its activities and market, its revenues are likely to remain concentrated among a restricted number of clients in upcoming quarters.

— Gross Margin

Gross margin during the three-month period ended July 31, 2011 was maintained at 24% of revenues, unchanged from last year's comparable period. For its part, gross margin during the six-month period of the 2012 fiscal year posted a slight decrease to also stand at 24% compared with 26% of revenues for the corresponding six-month period a year ago. These high margins reflect the complexity of the Corporation's ongoing projects, whereas the change mainly reflects the different revenue mix, according to the periods, of the invoiced projects underway.

Increases or decreases in raw material (mainly steel) prices do not generally have a material impact on the gross margin since in some of the contracts in hand, the clients supply the steel to be transformed by ADF, whereas protection clauses with regard to price changes are usually included in contracts where ADF supplies the steel. In addition, the natural hedge attributable to the purchase of raw material in U.S. dollars mitigates the impact of the exchange rate changes.

Amortization

3-Month Periods Ended July 31, (In thousands of \$, except for %)	2011	2010	Changes 2011/2010	
	\$	\$	\$	%
Amortization	851	908	(57)	(6.3)
— As a % of revenues	6.5%	7.0%	—	(0.5)%

6-Month Periods Ended July 31, (In thousands of \$, except for %)	2011	2010	Changes 2011/2010	
	\$	\$	\$	%
Amortization	1,732	1,684	48	2.9
— As a % of revenues	6.6%	6.3%	—	0.3%

In accordance with IFRS standards, amortization expense is now included in the cost of goods sold and selling and administrative expenses (see notes 10 and 11 to the condensed interim consolidated financial statements). However, Management considers appropriate to continue commenting the amortization expense level separately since it is considered a significant, although non-cash, component in the analysis of the Corporation's gross margin.

Amortization expense for the three-month and six-month periods ended July 31, 2011 was relatively stable compared with the same periods of the previous year. It should be noted that in light of the current economic context in its markets, the Corporation remains cautious with regard to its capital expenditures.

Selling and Administrative Expenses

3-Month Periods Ended July 31, (In thousands of \$, except for %)	2011	2010	Changes 2011/2010	
	\$	\$	\$	%
Selling and administrative expenses	1,447	1,420	27	1.9
— As a % of revenues	11.0%	11.0%	—	—

6-Month Periods Ended July 31, (In thousands of \$, except for %)	2011	2010	Changes 2011/2010	
	\$	\$	\$	%
Selling and administrative expenses	3,339	2,898	441	15.2
— As a % of revenues	12.7%	10.9%	—	1.8%

The \$0.4 million increase in selling and administrative expenses during the first six months of the 2012 fiscal year compared with the same period of the 2011 fiscal year is primarily due to the reversal of a provision for doubtful accounts and a gain on disposal of property, plant and equipment recorded in the first quarter ended April 30, 2010.

Financial Revenues and Finance Charges

3-Month Periods Ended July 31, (In thousands of \$, except for %)	2011	2010	Changes 2011/2010	
	\$	\$	\$	%
Financial revenues	(113)	(160)	47	29.4
Finance charges	59	124	(65)	(52.4)
	(54)	(36)	(18)	(50.0)
— As a % of revenues	0.4%	0.3%	—	0.1%

6-Month Periods Ended July 31, (In thousands of \$, except for %)	2011	2010	Changes 2011/2010	
	\$	\$	\$	%
Financial revenues	(208)	(182)	(26)	(14.3)
Finance charges	119	196	(77)	(39.3)
	(89)	14	(103)	—
— As a % of revenues	0.3%	—	—	0.3%

An interest rate swap, which covered 25% of the principal debt's balance as at July 31, 2011, was implemented on May 1, 2010 in order to allow the Corporation to partially protect itself against fluctuations in interest rates. This derivative financial instrument is classified as held for trading and measured at its fair value at the end of every quarter; since it is not designated as part of an effective hedging relationship, hedge accounting is not applied.

Taking into account this interest rate swap, the Corporation estimates that a 1% fluctuation in the long-term debt's effective interest rate would have an impact of about \$0.1 million on income before income taxes on an annual basis. However, as long as the Corporation's cash and cash equivalents, including short-term investments, exceed the long-term debt, as is currently the case, the adverse impact of a possible increase in interest rates on the debt service will be partially offset by the favourable impact of such an increase on the Corporation's financial revenues.

Foreign Exchange Loss (Gain)

3-Month Periods Ended July 31,	2011	2010	Changes 2011/2010	
(In thousands of \$, except for %)	\$	\$	\$	%
Foreign exchange loss (gain)	17	172	(155)	(90.1)
— As a % of revenues	0.1%	1.3%	—	(1.2)%

6-Month Periods Ended July 31,	2011	2010	Changes 2011/2010	
(In thousands of \$, except for %)	\$	\$	\$	%
Foreign exchange loss (gain)	(738)	(995)	257	25.8
— As a % of revenues	2.8%	3.7%	—	(0.9)%

The foreign exchange loss recorded in the three-month period ended July 31, 2011, includes a \$0.1 million foreign exchange gain on ongoing operations (versus a foreign exchange loss of \$0.1 million for the same period ended July 31, 2010) and a \$0.1 million realized and unrealized foreign exchange loss (also \$0.1 million for the same period ended July 31, 2010) on foreign exchange forward contracts. Consistent with the new IFRS standards, a \$0.2 million foreign exchange gain (\$0.1 million for the same period in 2010) on the translation of foreign subsidiaries during the three-month period ended July 31, 2011 is now recorded in comprehensive income.

The foreign exchange gain recorded in the six-month period ended July 31, 2011, includes a \$0.2 million foreign exchange loss on ongoing operations (versus a foreign exchange gain of \$0.2 million during the same period ended July 31, 2010) and a \$0.9 million realized and unrealized foreign exchange gain (\$0.8 million for the same period ended July 31, 2010) on foreign exchange forward contracts. Consistent with the new IFRS standards, a \$1.3 million foreign exchange loss (\$0.7 million for the same period in 2010) on the translation of foreign subsidiaries during the first six months of the 2011 and 2012 fiscal years is recorded in comprehensive income.

The Corporation did not conclude new forward exchange contracts during the quarter ended July 31, 2011, but concluded foreign exchange forward contracts during the three-month period ended April 30, 2011, under which it is committed to sell US\$3.0 million at a rate of CA\$0.97 for US\$1.00 and US\$3.0 million at a rate of CA\$0.98 for US\$1.00. These foreign exchange forward contracts mature as follows: US\$1.5 million in July 2011, US\$1.5 million in October 2011, US\$1.5 million in January 2012 and US\$1.5 million in April 2012.

In addition, each foreign exchange forward contract includes an option on currency, of equal value, in favour of the issuing financial institution that can exercise it, at will, for the indicated value if the rate, at maturity date, is higher than the prescribed rate of \$0.97 or \$0.98, as the case may be. If the rate is below \$0.97 or \$0.98 at maturity date, the option will become obsolete. Therefore, the financial institution did not exercise the option which came to maturity at the end of the second quarter ended July 31, 2011.

On July 31, 2011, the unmatured foreign exchange forward contracts amounting to US\$6.0 million posted a favourable fair value position of \$0.2 million, representing an average rate of CA\$0.9913 for US\$1.00, compared with a favourable fair value position of \$0.7 million on January 31, 2011, on foreign exchange forward contracts (US\$16.5 million at an average rate of CA\$1.0502 for US\$1.00), and a favourable fair value position of \$1.1 million on April 30, 2011 (US\$15 million at an average rate of CA\$1.0193 for US\$1.00), which were unmatured at that date.

As in preceding periods, the Corporation has continued with its hedge policy. As previously mentioned these derivative financial instruments are classified as held for trading and measured at their fair value at the end of every quarter; since they are not designated as part of an effective hedging relationship, hedge accounting is not applied.

The Corporation's principal foreign exchange risk lies in the fact that its revenues are mainly denominated in U.S. dollars while its expenses, other than the raw material (steel), are mostly denominated in Canadian dollars.

As shown in the following table, taking into account these foreign exchange forward contracts of US\$6.0 million and the US\$34.6 million net change position between the assets and liabilities denominated in U.S. dollars, ADF had a net foreign exchange position of US\$28.6 million on July 31, 2011.

As at July 31, 2011, assets and liabilities denominated in U.S. dollars included the following amounts:

(In thousands of \$)	US\$	CAS
Cash and cash equivalents	20,965	20,032
Accounts receivable	14,647	13,996
Holdbacks on contracts	4,770	4,557
Work in progress	1,345	1,285
Deferred income tax assets	4,677	4,469
Other assets (liabilities)	(108)	(103)
	46,296	44,236
Accounts payable and other current liabilities	(1,089)	(1,040)
Deferred revenues	(3,440)	(3,287)
Long-term debt	(7,155)	(6,837)
	(11,684)	(11,164)
Net currency risk related to items in the statement of financial position	34,612	33,072
Foreign exchange forward contracts	(6,000)	(5,948)
Net foreign exchange position	28,612	27,124

Thus, taking into account this net foreign exchange position, a 10% strengthening of the Canadian dollar over the U.S. currency would result in a \$3.3 million decrease in income before income taxes, while a reduction of the same percentage would increase the income before income taxes by \$2.9 million. However, this information does not take into account the impact of foreign exchange fluctuations on revenues and other miscellaneous expenses for a complete fiscal year.

Income Tax Expense

3-Month Periods Ended July 31,	2011	2010	Changes 2011/2010	
(In thousands of \$, except for %)	\$	\$	\$	%
Income tax expense	939	679	260	38.3
— As a % of revenues	7.2%	5.2%	—	2.0%

6-Month Periods Ended July 31,	2011	2010	Changes 2011/2010	
(In thousands of \$, except for %)	\$	\$	\$	%
Income tax expense	1,862	2,238	(376)	(16.8)
— As a % of revenues	7.1%	8.4%	—	(1.3)%

For the second quarter of the 2012 fiscal year, the income tax expense represented an average effective tax rate of 55%, compared with an average effective rate of 45% for the corresponding period of the 2011 fiscal year, and an effective Canadian rate of 30%. For the six-month period ended July 31, 2011, the average effective tax rate was 50%, compared with 44% a year ago. The difference between the Corporation's rates and the effective Canadian rate stems from the fact that most of ADF's revenues are generated by a U.S. subsidiary, which uses a higher tax rate than in Canada. However, it should be noted that currently the tax expense has no material impact on the Corporation's cash outflows. Given the available tax attributes, a \$0.2 million tax expense represented the sole outflow for the six-month period ended July 31, 2011 (outflow of \$0.2 million for the comparable period of the previous year). The Corporation expects that its effective tax rate for fiscal 2012 will be around 50%.

A balance of \$7.1 million relating to tax attributes remained available as at July 31, 2011. This will have a favourable impact on the Corporation's future cash outflows, which will not have to pay future income taxes until the full amount of available tax attributes has been used in the different jurisdictions where the Corporation executes contracts. Once these future income tax assets are fully used in each of the jurisdictions, the Corporation will be required to resume paying income taxes.

Net Earnings, Basic and Diluted Earnings Per Share

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of \$, except for per-share amounts and %)	\$	\$	\$	\$
Total net income	774	833	1,855	2,814
— As a % of revenues	5.9%	6.4%	7.0%	10.6%
Total basic earnings per share	0.02	0.02	0.06	0.08
Total diluted earnings per share	0.02	0.02	0.06	0.08

Not only is the net income during the quarter ended July 31, 2011 comparable to that of last year's corresponding period, it is also in line with Management's expectations, in light of the general economic context in the Corporation's markets. As previously mentioned, net income for the first half of the year ended July 31, 2011, posted a \$1.0 million decline due to a decrease in gross fabrication margin stemming from a different mix of fabricated products from the previous year, the reversal of a provision in the 2011 fiscal year, a lower cumulative exchange gain this year than last year and a higher income tax rate.

COMPARATIVE INFORMATION FOR THE LAST EIGHT QUARTERS

Fiscal years ending January 31,	2012		2011				2010	
	Q2 07.31.2011	Q1 04.30.2011	Q4 01.31.2011	Q3 10.31.2010	Q2 07.31.2010	Q1 04.30.2010	Q4 ³ 01.31.2010	Q3 ³ 10.31.2009
(In thousands of \$, except for per-share amounts and %)	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	13,118	13,229	14,973	13,687	12,967	13,641	14,471	15,769
Gross margin ¹	3,123	3,106	4,411	2,756	3,068	3,901	4,751	3,932
— As a % of revenues	24%	23%	29%	20%	24%	29%	33%	25%
EBITDA ²	2,527	2,095	3,126	2,041	2,556	3,199	3,223	3,276
— As a % of revenues	19%	16%	21%	15%	20%	23%	22%	21%
Income before income taxes expense	1,713	2,004	2,884	1,989	1,512	3,540	2,881	2,674
— As a % of revenues	13%	15%	19%	15%	12%	26%	20%	17%
Net income	774	1,081	1,674	903	833	1,981	1,527	1,380
— Basic per share	0.02	0.03	0.05	0.03	0.02	0.06	0.04	0.04
— Diluted per share	0.02	0.03	0.05	0.03	0.02	0.06	0.04	0.04

- Gross margin excluding foreign exchange variation.
- See Section "Non-IFRS Measures" hereinabove, for the definition of EBITDA.
- Since February 1, 2010 was ADF's transition date to IFRS, the 2010 fiscal year's results are prepared under Canadian GAAP and have not been restated. The 2011 and 2012 fiscal years' results are prepared under IFRS standards.

CASH FLOWS AND FINANCIAL POSITION

The Corporation posts a sound financial position and is on a solid footing to address its financial needs. Taking into account its favourable cash and cash equivalents position, its unused short-term credit facility of \$10.0 million and the level of planned capital spending, the Corporation does not expect any liquidity risk in a foreseeable future. It should be noted that the Corporation can also issue letters of credit of up to \$10.0 million. On July 31, 2011, the Corporation had \$27.8 million in cash, cash equivalents and short-term investments, up by \$6.3 million compared with January 31, 2011. Management believes that these available funds are sufficient to support the execution of its order backlog in hand on July 31, 2011, and to meet its financial commitments for the 2012 fiscal year.

Furthermore, the Corporation continually appraises the opportunities to use part of its liquidities to finance certain projects that could provide additional long-term competitive advantages and allow it to benefit from accelerated payments discounts negotiated with suppliers.

Operating Activities

During the second quarters of the 2012 and 2011 fiscal years, cash flows generated by the Corporation's operating activities were as follows:

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of \$, except for per-share amounts and %)	\$	\$	\$	\$
Net income adjusted for non-cash items	3,338	3,259	5,832	6,790
Changes in non-cash working capital items				
Accounts receivable	8,102	(6,047)	7,353	(11,098)
Holdbacks on contracts	(1,036)	(299)	(1,031)	1,174
Income tax	140	(81)	128	334
Work in progress	(910)	887	(1,076)	675
Inventories	145	(191)	87	(586)
Accounts payable and other current liabilities	1,034	130	1,267	1,852
Deferred revenues	(6,216)	2,016	(2,781)	1,549
Other	(589)	111	(316)	(475)
	670	(3,474)	3,631	(6,575)
Income tax expense received (paid)	4,008	(215)	9,463	215
	194	—	(174)	(191)
Cash flows from (used in) operating activities	4,202	(215)	9,289	24

Net income adjusted for non-cash items during the second quarter of the 2012 fiscal year, in the amount of \$3.3 million, is similar to that of the same period in 2010. This amount was \$5.8 million for the six-month period ended July 31, 2011, down by \$1.0 million from the same period the year before. This decrease stems mostly from the decrease in net income and income tax expense, net of the increased change in the fair value of derivative financial instruments.

During the second quarter of the 2012 fiscal year, changes in non-cash working capital items generated cash flows of \$0.7 million, compared with cash outflows of \$3.5 million during the same quarter of the 2011 fiscal year. This improvement is, for the most part, due to a \$7.5 million decrease in accounts receivable, net of increases of \$1.0 million in holdbacks on contracts and \$6.0 million in deferred revenues.

During the six-month period ended July 31, 2011, changes in non-cash working capital items generated cash flows of \$3.6 million, compared with cash outflows of \$6.6 million during the same period a year earlier. Once again, cash inflows during the first six months of the current fiscal year resulted from a \$6.6 million reduction in accounts receivable as a result of the Corporation's efforts put toward collection, net of increases in holdbacks on contracts (\$1.0 million) and work in progress (\$1.1 million) and the decrease in deferred revenues (\$2.8 million). The change in these three items is directly related to the execution and billing of projects in hand.

Adverse changes in non-cash working capital in the 2011 fiscal year were primarily attributable to the increase in accounts receivable.

Investing Activities

The Corporation's investing activities are summarized as follows:

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of \$, except for per-share amounts and %)	\$	\$	\$	\$
(Acquisition) disposal of short-term investments	(23)	4,065	(2,928)	3,934
Acquisition of property, plant and equipment	(609)	(504)	(638)	(2,153)
Acquisition of intangible assets	(75)	(80)	(163)	(200)
Reduction in other non-current assets	—	1	1	4
Interest received	133	64	210	158
Cash flows from (used in) investing activities	(574)	3,546	(3,518)	1,743

During the second quarter of the 2012 fiscal year, the Corporation used \$0.6 million in liquidities, mostly for the acquisition of a building in Florida, through its subsidiary ADF International Inc., while investing activities during the same period a year earlier generated liquidities of \$3.5 million primarily from the collection of short-term investments. During the first six months of the 2012 fiscal year, investment activities required liquidities of \$3.5 million for the acquisition of the building previously mentioned and for short-term investments. During the first half of the year ended July 31, 2010, the acquisition of property, plant and equipment totalled \$2.2 million, mostly for the fitting out of an existing fabrication bay.

Acquisition of intangible assets for the 2011 and 2012 fiscal years related primarily to the rollout of production and financial software. The Corporation estimates capital expenditures for fiscal 2012 at no more than \$2.0 million.

Financing Activities

The Corporation's financing activities were as follows:

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of \$, except for per-share amounts and %)	\$	\$	\$	\$
Issuance of long-term debt	—	—	—	4,370
Repayment of long-term debt	(619)	(656)	(1,219)	(1,067)
Issuance of subordinate voting shares	13	2	13	164
Redemption of subordinate voting shares	—	(2,636)	—	(2,786)
Dividends paid	(328)	—	(328)	—
Interest paid on interest rate swap	(8)	—	(17)	—
Interest paid	(49)	(60)	(102)	(121)
Cash flows from (used in) financing activities	(991)	(3,350)	(1,653)	560

During the three-month period ended July 31, 2011, the Corporation's financing activities required liquidities of \$1.0 million, mostly for the repayment of its long-term debt and the payment of its first semi-annual dividend of \$0.01 per subordinate and multiple voting share. During the same period a year ago, the Corporation's financing activities required \$3.4 million mainly for the normal course issuer bid (NCIB) program, which ended in April 2011.

In order to finance the acquisition of equipment and complete the fitting out of some areas of its fabrication complex, the Corporation contracted additional financing of US\$4.2 million (CA\$4.4 million) during the first quarter of the 2011 fiscal year.

Payment of Rent and Interest and Payment of Principal on Debt

The Corporation pays interest on one of its four long-term loans. The interest rate on this loan was 2.19% as of July 31, 2011. Since March 1, 2008, the Corporation has been making monthly principal repayments of US\$0.2 million on one loan. The principal repayments on the largest of the other loans, in the amount of \$31,000 semi-annually, began in May 2009. Other rent payments, in immaterial amounts, are described under Note 17 to the consolidated financial statements for the fiscal year ended January 31, 2011.

Debt Covenants

As of July 31, 2011, the Corporation respected all covenants with its lenders, and still did at the date hereof. Management expects it will continue to respect its commitments during the next 12 months.

Commitments Related to Letters of Credit as at July 31, 2011

As at July 31, 2011, the Corporation contracted letters of credit of US\$0.5 million.

Capital Stock, Stock Option and Deferred Share Unit Plans

Information on the outstanding shares, including stock options:

(In thousands of \$, except number of shares and options)	Subordinate Voting Shares		Multiple Voting Shares ¹		Total Outstanding Shares		Stock Options ²
	Number	\$	Number	\$	Number	\$	Number
As at January 31, 2010 and February 1, 2010	20,122,605	59,435	14,343,107	16,001	34,465,712	75,436	1,591,064
Issued on exercise of stock options	249,200	277	—	—	249,200	277	(249,200)
Granted	—	—	—	—	—	—	50,000
Cancelled	—	—	—	—	—	—	(10,000)
Share redemption	(1,940,000)	(5,681)	—	—	(1,940,000)	(5,681)	—
As at January 31, 2011	18,431,805	54,031	14,343,107	16,001	32,774,912	70,032	1,381,864
Issued on exercise of stock options	17,000	20	—	—	17,000	20	(17,000)
As at July 31, 2011	18,448,805	54,051	14,343,107	16,001	32,791,912	70,052	1,364,864

1. These shares carry 10 votes per share.

2. The weighted average exercise price of the current stock options is \$1.39 per unit.

As at July 31, 2011, the Corporation had 32,791,912 shares outstanding (32,774,912 on January 31, 2011). During the six-month period ended July 31, 2011, the Corporation issued 17,000 subordinate voting shares, which were all issued during the second quarter ended July 31, 2011 for a total consideration of \$20,000. The Corporation did not issue stock options during the first six months of the 2012 fiscal year.

During the first half of the 2011 fiscal year, the Corporation issued, under its stock option plan, 232,000 subordinate voting shares for a total cash consideration of \$0.3 million. Moreover, during the same period, the Corporation redeemed 1,442,300 subordinate voting shares for a net consideration of \$2.8 million, representing an average price of \$1.93 per share.

On July 31, 2011, a total of 1,364,864 stock options were issued and outstanding. These options, which had a weighted average life of 4.9 years before maturity, had a weighted average exercise price of \$1.39 (see Note 7 to the condensed interim consolidated financial statements).

— Deferred Share Unit ("DSU")

During the fiscal year ended January 31, 2011, the Board of Directors approved a Deferred Share Unit Plan for its external directors, which came into effect during the second quarter ended July 31, 2011.

This deferred compensation plan allows every external director, who wants to participate, to defer in whole or in part his/her director's compensation (including fees and attendance fees), by electing to receive a percentage (to a maximum of 100%) of this compensation in the form of DSU, which will be bought back by the Corporation on the date the external director ceases to be a director of the Corporation by reason of death, retirement or loss of function as director.

When a director elects to participate in this plan, the Corporation credits the account of the director for a number of units equal to the deferred compensation divided by the market value of the Subordinate Voting Shares, which is established using the closing average price during the five (5) trading days preceding the date of grant. When the Corporation pays dividends on Subordinate and Multiple Voting Shares, the accounts of the directors are credited for the amount in the form of additional units using the same basis of calculation previously described. The variation in fair value is recorded as a compensation expense with the counterpart in "Accounts payable and other current liabilities" of the Consolidated Statement of Financial Position.

DSU compensation issued during the three-month period ended July 31, 2011 amounted to \$10,000, representing 6,403 units, recorded in "Accounts payable and other current liabilities".

ORDER BACKLOG

As at July 31, 2011, ADF Group's order backlog stood at \$53.0 million, compared with \$90.0 million on the same date a year ago, and \$62.0 million as at April 30, 2011. As at July 31, 2011, 69% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity. The order backlog in hand as at July 31, 2011 will be progressively executed by the end of the second quarter of the 2013 fiscal year.

DIVIDEND

The Corporation's Board of Directors approved earlier this year a dividend policy, paid semi-annually. Consequently, on September 6, 2011, the Board of Directors also approved the second semi-annual dividend of \$0.01 per subordinate and multiple voting shares (totalling approximately \$0.3 million), payable on October 17, 2011 to shareholders of record on September 22, 2011.

FINANCIAL POSITION

The following table provides details on the major changes in the Consolidated Statement of Financial Position between January 31, 2011 and July 31, 2011.

Section	Change	Explanatory Note
	(In millions of \$)	
Cash, cash equivalents and short-term investments	6.3	For further information, see "Cash Flows and Financial Position" hereinabove in this MD&A.
Accounts receivable	(8.2)	In the wake of the previous quarters, the Corporation continued its efforts to accelerate the collection of accounts receivable.
Holdbacks on contracts (current)	4.4	The increase results mainly from the reclassification as short-term of long-term holdbacks for which the collection is due in the next 12 months.
Work in progress	1.0	The change stems from the difference between the percentage of completion and clients' billing.
Property, plant and equipment and intangible assets	(1.0)	The change is attributable to the acquisition of property, plant and equipment and intangible assets (\$0.8 million), net of amortization of \$1.7 million.
Deferred income tax assets (long-term)	(2.2)	The decrease stems mainly from the use of tax attributes.
Deferred revenues	(3.0)	The decrease results from the difference between the percentage of completion and clients' billing.
Long-term debt (including current portion)	(1.6)	The change is attributable to monthly repayments of \$1.2 million and the lower exchange rate for the U.S. dollar for the translation of debts denominated in U.S. dollars in the amount of \$0.4 million.
Accumulated other comprehensive income	(1.3)	The change represents the exchange differences on translation of the Corporation's foreign operations during the six-month period ended July 31, 2011.

ISSUES RELATING TO THE CURRENT ECONOMIC ENVIRONMENT

In light of the difficult economic context, mostly in the United States, and the impact on its main markets, the Corporation maintains its prudent management.

In uncertain economic times, the Corporation is faced with the following challenges:

- Its business segment is strongly dependent on project owners' capacity to finance their projects. For lack of financing, certain projects can be delayed or simply abandoned. Although the Corporation strives to mitigate this risk by focusing its marketing efforts on projects whose financing is most likely to materialize, it has no control over financial market trends; and
- Certain project owners who secured financing on the start-up of projects could be forced to cease the work pursuant to the withdrawal of financing, due to a lack of capital of either the project lender or the owner. The Corporation mitigates this risk by ensuring that amounts due are diligently collected and, when possible, maintain at all times a positive cash flow for every project. Moreover, the Corporation does business with owners who are financially solid. At the date hereof, no project of the Corporation is subject to such constraints.

In addition, the strengthening of the Canadian dollar in relation to the U.S. dollar has exerted in the recent quarters, and will most probably continue to exert downward pressure on the Corporation's results. Management focuses its efforts on the productivity of its fabrication activities and uses a hedging strategy by means of forward foreign exchange contracts in order to mitigate the impact of currency fluctuations.

From a financing point of view, the Corporation has a solid financial position and currently respects all its financial covenants. It expects it will continue to do so during the next 12 months. Capital expenditures are subject to very close monitoring by Management. The Corporation does not anticipate any liquidity problems, in particular since its credit facility is issued by a Canadian chartered bank with a solid credit rating, and the Corporation's major clients are leaders in their respective fields. Based on the foregoing, the Corporation maintains its short-term prospects (see Section "Outlook" hereinafter), and does not currently foresee any short-term elements that could compromise its course of business.

That being said, the Corporation will continue to use caution and will closely monitor the situation (see Sections "External Factors to Which the Corporation's Performance is Exposed" and "Outlook" hereinafter).

EXTERNAL FACTORS TO WHICH THE CORPORATION'S PERFORMANCE IS EXPOSED

Exchange Rate

Exchange rate fluctuations between the Canadian and U.S. dollars have an impact on the Corporation's results. Thus, a \$17,000 exchange loss was recorded for the three-month period ended July 31, 2011, compared with a \$0.2 million exchange loss for the corresponding period the previous year. During the six-month periods ended July 31, 2011 and 2010, the Corporation recorded exchange gains of \$0.7 million and \$1.0 million respectively.

In order to minimize the impact of exchange rate fluctuations on its results, the Corporation implemented the following protective measures:

- The conversion, in November 2007, of a significant portion of the long-term debt denominated in Canadian dollars (\$11.6 million) into U.S. dollars (US\$12.4 million). At the time of conversion, the rate used was CA\$0.9364 for US\$1.00. This measure was maintained following the increase in long-term debt in February 2010;
- When advantageous, the raw material (steel) and welding products required for fabrication are purchased in U.S. dollars; and
- Implementation of a foreign exchange policy to protect a portion of the net exchange risk between cash inflows and outflows denominated in U.S. dollars.

The Corporation's Operating Risks and Uncertainties

ADF's markets are subject to several risk and uncertainty factors, which could have an impact on its business, financial position and operating results. These risks include (but are not limited to), the following factors, which are further detailed in the MD&A for the fiscal year ended January 31, 2011:

- Indemnity agreement;
- Uncertainties relating to the world economy;
- Bonding capacity and irrevocable letters of credit; and
- Operational risks and uncertainties that could have an impact on the Corporation's financial position and operating results.

FINANCIAL INSTRUMENTS

A significant number of items in the Corporation's Statement of Financial Position include financial instruments. The Corporation's financial assets consist of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts receivable, equity investments, as well as derivative financial instruments, whose fair market value is positive. Financial liabilities include accounts payable and other current liabilities, long-term debt and derivative financial instruments, whose fair market value is negative. As at July 31, 2011, the carrying amount of these financial instruments did not significantly differ from the fair market value, either because of their forthcoming maturity date (in the case of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts receivable, accounts payable and other current liabilities), or because the Corporation believed it could obtain similar conditions and schedules (in the case of the long-term debt). See Note 2 "Summary of Significant Accounting Policies and Adoption of IFRS" to the Corporation's condensed interim consolidated financial statements as at July 31, 2011.

Derivative financial instruments are typically used to manage the Corporation's foreign exchange and interest rate risk exposure. They are mostly comprised of forward foreign exchange contracts and an interest rate swap.

The Corporation is mostly exposed to credit, liquidity and market risks, including exchange rate and interest rate risks, when using financial instruments. A description of how the Corporation manages these risks is included hereinabove in this MD&A, as well as in Note 22 to the Corporation's consolidated financial statements for the fiscal year ended January 31, 2011.

EVALUATION OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICOFR) as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the Chief Executive Officer and the Chief Financial Officer by others and that information required to be disclosed by the Corporation in its annual and interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Chief Executive Officer and the Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Corporation's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer is made known to them by others within the Corporation.

The Chief Executive Officer and the Chief Financial Officer have assessed the effectiveness of ICOFR as at July 31, 2011, and they have concluded that the Corporation's internal control over financial reporting was effective at that date. During the quarter ended July 31, 2011, there were no changes to the Corporation's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect its ICOFR.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Corporation's condensed interim consolidated financial statements dated April 30, 2011 and July 31, 2011, have been prepared in accordance with the International Accounting Standard IFRS 1 "First-time Adoption of International Financial Reporting Standards" and with International Accounting Standard IAS 34 "Interim Financial Reporting" as issued by the IASB. Previously, the Corporation prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP. The adoption of IFRS has not had a significant impact on the Corporation's operations, strategic decisions, cash flows and capital expenditures.

ADF's accounting policies under IFRS are disclosed in Note 2 to the condensed interim consolidated financial statements for the three-month period ended April 30, 2011. In addition, Note 18 to the condensed interim consolidated financial statements presents reconciliations between the Corporation's 2011 previous GAAP financial statements for the concerned periods and the 2011 IFRS financial statements for these same periods. Reconciliations include the Corporation's consolidated Statements of Financial Position as at July 31, 2010, and Consolidated Financial Statements of Income and Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the quarter ended July 31, 2010 and for the six-month period ended July 31, 2010.

For a better understanding of the condensed interim consolidated financial statements and the impact of this transition to IFRS, Management wishes to provide the significant changes between ADF's 2011 previous GAAP net income and 2011 IFRS net income, along with an analysis of the significant IFRS accounting policy changes.

Summary Net Income, EBITDA¹ and Certain Financial Ratios¹ Reconciliations

	2011 Fiscal Year				
	Annual	Q4	Q3	Q2	Q1
	12 months ended 01.31.2011	3 months ended 01.31.2011	3 months ended 10.31.2010	3 months ended 07.31.2010	3 months ended 04.30.2010
(In thousands of \$)	\$	\$	\$	\$	\$
Net Income					
Previous GAAP	3,743	1,037	630	878	1,198
Impact of IFRS standards, after income taxes:					
— Exchange differences on translation of foreign operations	1,623	639	308	(70)	746
— Share-based compensation	51	4	(28)	31	44
— Amortization of property, plant and equipment and intangible assets	(26)	(6)	(7)	(6)	(7)
	1,648	637	273	(45)	783
IFRS	5,391	1,674	903	833	1,981
Gross Margin					
Previous GAAP	17,072	5,146	3,495	3,850	4,581
Impact of IFRS standards:					
— Reclassification of amortization of property, plant and equipment and intangible assets	(2,936)	(735)	(739)	(782)	(680)
IFRS	14,136	4,411	2,756	3,068	3,901
Gross Margin (as a % of revenues)					
Previous GAAP	31%	34%	26%	30%	34%
IFRS	26%	29%	20%	24%	29%
EBITDA¹					
Previous GAAP	10,871	3,122	2,069	2,525	3,155
Impact of IFRS standards:					
— Share-based compensation	51	4	(28)	31	44
IFRS	10,922	3,126	2,041	2,556	3,199

As at	Jan. 31, 2011	Oct. 31, 2010	Jul. 31, 2010	Apr. 30, 2010
Current Ratio ¹				
Previous GAAP	4.17:1	3.45:1	4.15:1	5.15:1
IFRS	3.81:1	3.24:1	3.86:1	4.82:1
Long-Term Debt Over Shareholders' Equity ¹				
Previous GAAP	0.10:1	0.11:1	0.11:1	0.12:1
IFRS	0.09:1	0.10:1	0.11:1	0.11:1
Liabilities to Shareholders' Equity ¹				
Previous GAAP	0.22:1	0.27:1	0.23:1	0.21:1
IFRS	0.21:1	0.25:1	0.22:1	0.20:1
Return on Shareholders' Equity ¹				
Previous GAAP	4.2%	4.8%	5.7%	6.6%
IFRS	5.8%	Not available ²	Not available ²	Not available ²

1. See Section "Non-IFRS Measures" for the definition of EBITDA, current ratio, long-term debt over shareholders' equity, liabilities over shareholders' equity and return on shareholders' equity.
2. Since the date of transition to IFRS was February 1, 2010, the financial data prior to this date has not been restated and consequently the shareholders' equity, which is based on the net income for the last 12 months, was not computed.

Changes to Accounting Policies and Election in Accordance with IFRS 1

The following table explains the significant differences between ADF's previous GAAP accounting policies and those applied by the Corporation under IFRS. IFRS standards have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters. As discussed in the MD&A dated January 31, 2011, the most significant changes between previous GAAP and IFRS relate to the following:

Accounting Policies	Differences Between IFRS and Previous GAAP		Findings ¹
	IFRS	Previous GAAP	
Property, Plant and Equipment	<p>Following their initial recognition, the Corporation may use the cost model or the revaluation model to account for its property, plant and equipment.</p> <p>Property, plant and equipment items must be depreciated by component and each component must be depreciated over its useful life.</p>	<p>The revaluation model is not permitted.</p> <p>Component identification rules are less stringent.</p>	<p>To avoid changes in the fair value of property, plant and equipment in the Statement of Financial Position and the corresponding impacts on the Statement of Income and Comprehensive Income, the Corporation choose to continue using the cost model.</p> <p>Given the information collated, this difference between GAAP and IFRS did not have an impact on the Corporation's financial statements.</p>
Property, Plant and Equipment and Intangible Assets	<p>Three depreciation methods are allowed under IFRS, namely the straight-line method, the declining balance method and the units of production method.</p> <p>IAS 16 is more explanatory with regard to which depreciation method should be used and that best reflects the expected consumption pattern.</p>	<p>The depreciation methods are basically the same under IFRS. They provide a rational and structured base for the allotment of the amortizable amount.</p>	<p>These differences did not have an impact.</p>

Accounting Policies	Differences Between IFRS and Previous GAAP		Findings ¹
	IFRS	Previous GAAP	
Impairment of Assets	IAS 36 "Impairment of Assets" uses a one-step approach to identify asset impairments, with asset carrying values being compared to the higher of value in use (determined using discounted future cash flows) or fair value less cost of sale. Moreover, according to this standard, previous impairment losses may be reversed under certain circumstances.	Requires a two-step approach for impairment tests. The first step consists in comparing the carrying values of assets and undiscounted future cash flows to assess whether there is an indication of impairment. The second step consists in measuring any impairment by comparing the carrying values of assets to their fair values. Under GAAP, previously recognized impairment values cannot be reversed.	This difference in methods might result in the impairment of assets for which the carrying values were previously supported by undiscounted cash flows under GAAP, but which may not be on a discounted cash flow basis. The Corporation recorded such depreciation during fiscal 2004. In accordance with IFRS, since the facts and circumstances leading to this impairment no longer exist at the date of transition, it is no longer required. Therefore, a favourable adjustment of \$0.7 million, net of taxes, was therefore recorded in the Corporation's shareholders' equity in the opening Consolidated Statement of Financial Position as at February 1, 2010. This adjustment will also increase the amortization expense in future fiscal years, but not materially.
Share-Based Payments	When stock option awards vest gradually, each tranche is to be considered as a separate award.	The gradually vested tranches could be considered as a single award.	The compensation expense is recognized over the expected term of each vested tranche. A negative adjustment of \$0.4 million was recorded in retained income in the February 1, 2010 opening Consolidated Statement of Financial Position, which represents the additional cumulative expense, including the impact of not applying the exemption allowed under IFRS 1. (See "Share-Based Payments" in the next table.) The impact on the annual financial statements is immaterial.
Effects of Changes in Foreign Exchange Rates	Under IFRS, the foreign operation cannot be classified as an integrated or self-sustaining foreign operation. The entity must measure its own functional currency and financial position and its results in that currency. The currency, which is determined by the primary economic environment in which the entity operates, must be assessed by taking into account three key indicators, two soft indicators and four complementary indicators should the entity be a foreign operation.	Under GAAP, the classification between an integrated and self-sustaining foreign operation is based on the professional judgment of the foreign operations' specific economic facts and circumstances.	The functional currency of each entity included in ADF Group's financial statements was assessed using the indicators specified under IFRS. Following these analyses, the Corporation concluded that the functional currency of its U.S. operations was the U.S. dollar. This had an impact on the conversion rates, which is now used to convert each entity's operations. In addition, in light of this change, the exchange gains or losses resulting from the translation of its foreign operations is accounted for in the Statement of Comprehensive Income, rather than in the net income itself.

1. Following the transition from previous GAAP to IFRS, the previously mentioned impacts could change as a result of amendments to international standards currently being developed, or in accordance with new information or other internal or external factors, which could arise, and that would be applied in the audited consolidated financial statements for the year ending January 31, 2012, could result in the restatement of these condensed interim consolidated financial statements included in this report, including transitional adjustments recognized at the time of changeover to IFRS.

As previously discussed, IFRS 1 generally requires new adopters to apply IFRS retrospectively to all the periods reported in their first IFRS financial statements. As a first-time adopter, ADF Group must apply IFRS 1, which however provides for a certain number of elective exemptions to full retrospective application that the Corporation is currently assessing. The major elective exemptions chosen are presented in the following table:

Elective Exemptions	Findings
Business Combinations	This exemption allows an entity not to restate retrospectively the business combinations that occurred before the IFRS transition date. ADF Group elected not to restate retrospectively business combinations that occurred before February 1, 2010.
Share-Based Payments	This exemption allows an entity not to restate all the share-based payments granted after November 7, 2002, but only those not vested at the date of transition. The Corporation elected not to apply this exemption and restated all of the shareholders' equity instruments granted. As previously mentioned, pursuant to this restatement, a negative adjustment of \$0.4 million was recorded in shareholders' equity in the opening Statement of Financial Position as at February 1, 2010.
Fair Value as Deemed Cost	On the transition date, IFRS 1 allows an entity to measure each property, plant and equipment item at fair value and designate this fair value as its deemed cost. An entity can also elect to keep the balances previously determined under GAAP and, if necessary, retroactively recalculate the original cost and amortization in accordance with the requirements of IAS 16 "Property, Plant and Equipment". ADF Group will continue to use the cost method for this property, plant and equipment, and not restate them at fair value under the allowable IFRS 1 exemptions, with the exception of land which is measured at fair value at the transition date. This reappraisal increased the land value by \$3.7 million, and is reflected in shareholders' equity in the opening Statement of Financial Position, net of related taxes (\$0.5 million) as at February 1, 2010.
An Agreement Includes a Lease Agreement	IFRS 1 allows an entity to determine whether or not an existing agreement, at the IFRS transition date, includes a lease agreement based on the facts and circumstances that prevailed at that date. If such agreement contains a lease agreement at the transition date, the Corporation will consider this agreement at that date, rather than retrospectively. This decision did not have a monetary impact on Corporation's opening balances.
Borrowing Cost	In accordance with IFRS 1, the Corporation elected to apply IAS 23 "Borrowing Cost" retrospectively from February 1, 2010. Consequently, the accounting treatment for borrowing costs incurred prior to February 1, 2010 was not adjusted.
Cumulative Translation Differences	Retrospective application of IFRS would have required the Corporation to determine the amount of cumulative exchange differences on translation of foreign operations in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", from the date at which a subsidiary or an entity subject to significant influence was formed or acquired. IFRS 1 allows cumulative exchange differences on translation of foreign operations for all foreign operations to be deemed zero at the date of transition to IFRS. ADF Group elected to reset to zero all translation gains and losses in the retained income opening balance at the transition date.

It should be noted that as part of the transition to IFRS, ADF Group also reviewed the contractual implications of the new standards on its existing financing arrangements and similar obligations (see Note 2, "Summary of Significant Accounting Policies and Adoption to IFRS" to the condensed interim consolidated financial statements for the period ended April 30, 2011). The Corporation also reviewed the impacts on information technology and financial reporting, as well as on internal controls, and no significant changes was required following this transition.

RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

Prior to Quarter-End Pronouncement

— IFRS 9 "Financial Instruments"

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through income. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through income or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in income to the extent not clearly representing a return on investment, are recognized in income; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, "Financial Instruments - Recognition and Measurement", except that fair value changes due to credit risk for liabilities designated at fair value through income would generally be recorded in other comprehensive income.

This standard comes into effect for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

— **IAS 12 "Income Taxes"**

The IASB issued on December 20, 2010 an amendment to IAS 12 "Income Taxes" related to the recovery of underlying assets. It addresses Deferred Tax: Recovery of Underlying Assets. The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 "Investment Property". For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. The exception also applies to investment property acquired in a business combination if the acquirer applies the fair value model in IAS 40 subsequent to the business combination. The amendments also incorporate the requirements of SIC-21 "Income Taxes—Recovery of Revalued Non-Depreciable Assets" into IAS 12, i.e., deferred tax arising on a non-depreciable asset measured using the revaluation model in IAS 16 should be based on the sale rate.

The effective date of the amendments is for annual periods beginning on or after January 1, 2012. Earlier application is permitted. Amendments to this standard will not have an impact on the Corporation, since it does not hold an investment property.

— **IFRS 10 "Consolidated Financial Statements"**

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 "Consolidation—Special Purpose Entities" and parts of IAS 27 "Consolidated and Separate Financial Statements".

The Corporation will start applying the amended IFRS 10 and IAS 27 standards for its fiscal year beginning on or after January 1, 2013. Earlier application is permitted. The Corporation has not yet assessed the impact that these standards will have on its financial statements or whether to early adopt these requirements.

— **IFRS 11 "Joint Arrangements"**

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures", and SIC-13 "Jointly Controlled Entities—Non-monetary Contributions by Venturers".

The Corporation will start applying IFRS 11 for its fiscal year beginning on or after January 1, 2013, although earlier application is permitted. The Corporation has not yet assessed the impact of the adoption of this standard or whether to early adopt this requirement.

— **IFRS 12 "Disclosure of Interests in Other Entities"**

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-Statement of Financial Position vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

The Corporation will start applying IFRS 12 for its fiscal year beginning on or after January 1, 2013, although earlier application is permitted. The Corporation has not yet assessed the impact that this standard will have on its financial statements or whether to early adopt this requirement.

— **IFRS 13 "Fair Value Measurement"**

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

The Corporation will start applying IFRS 13 for its fiscal year beginning January 1, 2013. Earlier application is permitted. The Corporation has not yet assessed the impact that this standard will have on its financial statements or whether to early adopt this requirement.

— **IAS 1 "Presentation of Financial Statements"**

Amended IAS 1 requires that comprehensive income be classified by nature: items that will not be reclassified in net income during a subsequent period and those that will subsequently be reclassified in net income when certain specific conditions are met.

The effective date of this amendment is for the Corporation fiscal years beginning on or after July 1, 2012, although earlier application is permitted. The Corporation has not yet assessed the impact that this amended standard will have on its financial statements or whether to early adopt this requirement.

— Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27 "Separate Financial Statements", and IAS 28 "Investments in Associates and Joint Ventures". IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

These new standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation has not yet assessed the impact that these amended standards will have on its financial statements or whether to early adopt these requirements.

HUMAN RESOURCES

As at July 31, 2011, the Corporation employed a total of 256 people in its offices, fabrication plant and construction sites in Florida.

OUTLOOK

More than ever, ADF intends to maintain its strategy aimed at achieving sustainable growth without compromising targeted profitability. The benefits of this strategy are actually reflected in the maintenance of good profit margins and in the solid financial position of ADF, as attested by its different financial ratios. In addition, the Corporation relies on a team dedicated to deliver its complex projects according to its clients' high expectations.

As discussed in the previous quarter, the Corporation adapted its action plan to the current business environment, which will likely remain affected by the slow economic recovery and the scarcity of new projects in the Corporation's niches, especially in the United States. In this context, one of the Corporation's primary objectives for fiscal 2012 is to grow its order backlog in order to sustain its future business volume. Hence, while concentrating on the optimal execution of its ongoing contracts, the Corporation will seek to increase its production capacity utilization rate by targeting high-volume projects. This approach could temporarily lower the average gross profit margin of the Corporation's contract portfolio (expressed as a percentage of revenues).

The Corporation is also pursuing its development project in Western Canada. As previously mentioned, in July 2010, ADF and a partner made a joint offer to acquire an industrial lot in Winnipeg, Manitoba for an amount of \$1.0 million. This offer is conditional, notably, to a due diligence of the site and the conclusion of agreements with the local governments satisfactory to the Corporation and its partner. Discussions are making good progress and the Corporation is confident that it will be able to conclude these discussions and start construction of a 100,000 square-foot fabrication plant in the coming months. This project will allow ADF to increase its presence in the Western Canadian market, which is driven by oil sands, petroleum and potash projects.

During fiscal 2012, ADF Group will maintain rigorous management of its operations to preserve the soundness of its financial position and thus position itself advantageously for the economic recovery in its targeted markets.

ADDITIONAL INFORMATION

Management's discussion and analysis of changes in financial position and operating results for the three-month and six-month periods ended July 31, 2011 has been approved by the Corporation's Board of Directors as of September 6, 2011.

The Corporation regularly discloses information through press releases, quarterly and annual reports and the Annual Information Form, available on the Corporation's website at www.adfgroup.com and the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com.

Marise Paschini

Jean-François Boursier, CA

/ Signed /

/ Signed /

Executive Vice-President, Treasurer
and Corporate Secretary

Chief Financial Officer

Terrebonne, Quebec, Canada, September 6, 2011

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE TO THE READERS

These condensed interim consolidated financial statements have been prepared by the Management of ADF Group Inc. and have not been audited or reviewed by an external auditor.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of CA\$, except for per-share amounts)	\$	\$	\$	\$
Revenues	13,118	12,967	26,347	26,608
Cost of goods sold (Note 10)	9,995	9,899	20,118	19,639
Gross margin	3,123	3,068	6,229	6,969
Selling and administrative expenses	1,447	1,420	3,339	2,898
Financial revenues	(113)	(160)	(208)	(182)
Finance charges (Note 12)	59	124	119	196
Foreign exchange loss (gain) (Note 16)	17	172	(738)	(995)
	1,410	1,556	2,512	1,917
Income before income tax expense	1,713	1,512	3,717	5,052
Income tax expense	939	679	1,862	2,238
Net income for the period	774	833	1,855	2,814
Earnings per share				
Basic and diluted per share (Note 13)	0.02	0.02	0.06	0.08
Average number of outstanding shares (in thousands) (Note 13)	32,787	34,335	32,781	34,413
Average number of outstanding diluted shares (in thousands) (Note 13)	33,376	34,984	33,365	35,165

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of CA\$)	\$	\$	\$	\$
Net income for the period	774	833	1,855	2,814
Other comprehensive income				
Exchange differences on translation of foreign operations (Note 8)	229	76	(1,266)	(673)
Comprehensive income for the period	1,003	909	589	2,141

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained income	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$
Balance, February 1, 2010	75,436	3,659	144	13,348	92,587
Net income for the period	—	—	—	2,814	2,814
Other comprehensive income for the period	—	—	(673)	—	(673)
Comprehensive income for the period	—	—	(673)	2,814	2,141
Share-base compensation (Note 7)	—	113	—	—	113
Options exercised	257	(93)	—	—	164
Subordinate voting share redemption	(4,224)	1,438	—	—	(2,786)
Balance, July 31, 2010	71,469	5,117	(529)	16,162	92,219

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained income	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$
Balance, February 1, 2011	70,032	5,740	(1,477)	18,739	93,034
Net income for the period	—	—	—	1,855	1,855
Other comprehensive income for the period	—	—	(1,266)	—	(1,266)
Comprehensive income for the period	—	—	(1,266)	1,855	589
Share-base compensation (Note 7)	—	71	—	—	71
Options exercised	20	(7)	—	—	13
Dividends (Note 7)	—	—	—	(328)	(328)
Balance, July 31, 2011	70,052	5,804	(2,743)	20,266	93,379

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

As at	July 31, 2011	January 31, 2011
(In thousands of CA\$)	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (Note 14)	22,203	18,677
Short-term investments	5,580	2,787
Accounts receivable	14,053	22,215
Holdbacks on contracts (Note 9)	4,562	167
Work in progress (Note 9)	1,436	403
Inventories	3,778	3,865
Prepaid expenses and other current assets	1,298	985
Derivative financial instruments (Note 16)	201	741
Total current assets	53,111	49,840
Non-current assets		
Holdbacks on contracts (Note 9)	—	3,562
Property, plant and equipment (Note 11)	45,935	46,871
Intangible assets (Note 11)	2,586	2,601
Other non-current assets	2,850	2,852
Deferred income tax assets	4,771	6,960
Total assets	109,253	112,686
LIABILITIES		
Current liabilities		
Accounts payable and other current liabilities (Note 6)	6,138	5,365
Income tax liabilities	194	159
Deferred revenues (Note 9)	2,022	4,994
Derivative financial instruments (Note 16)	136	45
Current portion of long-term debt	2,400	2,513
Total current liabilities	10,890	13,076
Non-current liabilities		
Long-term debt	4,682	6,151
Deferred income tax liabilities	302	425
Total liabilities	15,874	19,652
SHAREHOLDERS' EQUITY		
Retained income	20,266	18,739
Accumulated other comprehensive income (Note 8)	(2,743)	(1,477)
	17,523	17,262
Capital stock (Note 7)	70,052	70,032
Contributed surplus	5,804	5,740
Total shareholders' equity	93,379	93,034
Total liabilities and shareholders' equity	109,253	112,686

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

The Board of Directors approved the condensed interim consolidated financial statements on September 6, 2011 and they have been signed on behalf of it.

/ Signed /

Jean Paschini, Director

/ Signed /

Marc A. Benoit, CA, Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Periods Ended July 31, (In thousands of CA\$)	3 Months		6 Months	
	2011	2010	2011	2010
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income	774	833	1,855	2,814
Non-cash items:				
Amortization of property, plant and equipment	762	827	1,554	1,519
Amortization of intangible assets	89	81	178	165
Gain on disposal of property, plant and equipment	—	—	—	(52)
Unrealized gain on derivative financial instruments	857	701	631	322
Non-cash exchange (gain) loss	(41)	117	(230)	(343)
Share-based compensation	12	57	71	113
Income tax expense	939	679	1,862	2,238
Financial revenues	(113)	(160)	(208)	(182)
Finance charges	59	124	119	196
Net income adjusted for non-cash items	3,338	3,259	5,832	6,790
Changes in non-cash working capital items (Note 14)	670	(3,474)	3,631	(6,575)
Income tax expense received (paid)	194	—	(174)	(191)
Cash flows from (used in) operating activities	4,202	(215)	9,289	24
INVESTING ACTIVITIES				
(Acquisition) disposal of short-term investments	(23)	4,065	(2,928)	3,934
Acquisition of property, plant and equipment	(609)	(504)	(638)	(2,153)
Acquisition of intangible assets	(75)	(80)	(163)	(200)
Reduction in other non-current assets	—	1	1	4
Interest received	133	64	210	158
Cash flows from (used in) investing activities	(574)	3,546	(3,518)	1,743
FINANCING ACTIVITIES				
Issuance of long-term debt	—	—	—	4,370
Repayment of long-term debt	(619)	(656)	(1,219)	(1,067)
Issuance of subordinate voting shares	13	2	13	164
Redemption of subordinate voting shares	—	(2,636)	—	(2,786)
Dividends paid	(328)	—	(328)	—
Interest paid on the interest rate swap	(8)	—	(17)	—
Interest paid	(49)	(60)	(102)	(121)
Cash flows from (used in) financing activities	(991)	(3,350)	(1,653)	560
Impact of fluctuations in foreign exchange rate on cash	172	77	(592)	(137)
Net increase in cash and cash equivalents	2,809	58	3,526	2,190
Cash and cash equivalents, beginning of period (Note 14)	19,394	7,902	18,677	5,770
Cash and cash equivalents, end of period (Note 14)	22,203	7,960	22,203	7,960

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three-Month and Six-Month Periods Ended July 31, 2011 and 2010.

All tabular figures are in thousands of Canadian dollars (CA\$), unless otherwise specified and except for amounts per share, percentages and ratios.

1. NATURE OF BUSINESS

ADF GROUP INC. ("ADF" or the "Corporation") is incorporated under the Canada Business Corporations Act and is headquartered in Terrebonne, Quebec, Canada. The Corporation's securities are traded on the Toronto Stock Exchange under the ticker symbol DRX. The Corporation operates a 58,530-square-metre (630,000-square-foot) plant in Canada and concentrates its activities in the design and engineering of connections, fabrication and installation of complex steel superstructures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential construction market: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes and nuclear facilities, and transport infrastructures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF IFRS

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and requires publicly accountable companies to apply such standards effective for years beginning on or after January 1, 2011. The Corporation began reporting in accordance with these accounting pronouncements in its condensed interim consolidated financial statements for the quarters ended April 30, 2011 and July 31, 2011. In the financial statements, the term "previous GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements, as well as those for the quarter ended April 30, 2011, have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, notably IAS 34, "Interim Financial Reporting" and IFRS 1, "First-time Adoption of International Financial Reporting Standards". The condensed interim consolidated financial statements should be read in conjunction with the Corporation's previous GAAP annual financial statements for the fiscal year ended January 31, 2011 and the condensed interim consolidated financial statements for the first quarter ended April 30, 2011. Note 18 discloses IFRS information for the fiscal year ended January 31, 2011, not provided in the 2011 annual financial statements.

Subject to certain transition elections, as provided in Note 18, the Corporation has consistently applied the same accounting policies in its opening IFRS Statement of Financial Position at February 1, 2010 and throughout all periods disclosed, as if these policies had always been in effect. Note 18 discloses the impact of the transition to IFRS on the Corporation's financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the fiscal year ended January 31, 2011. The 2011 comparative figures disclosed in these consolidated financial statements have been restated to take into account these changes.

These condensed interim consolidated financial statements have been prepared using the same accounting policies as those disclosed in Note 2 to the condensed interim consolidated financial statements for the quarter ended April 30, 2011. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of September 6, 2011, on which date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that will apply to the Corporation's annual consolidated financial statements for the fiscal year ending January 31, 2012, could result in restatement of these condensed interim consolidated financial statements, including transitional adjustments recognized at the time of changeover to IFRS.

The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for the evaluation of certain financial instruments and derivative financial instruments measured at the fair value.

3. ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Since the financial reporting process requires the use of estimates, actual results could differ from those estimates. As previously indicated the evaluation of work in progress requires Management to estimate the percentage of completion, cost of completion and anticipated gross margin. The measurement of long-term assets and related impairment, stock options, taxes, provisions and contingencies also requires estimates.

a) Percentage of Completion

As at July 31, 2011, the carrying amount of work in progress in the amount of \$1,436,000 (\$403,000 as at January 31, 2011) and the revenues recognized on construction contracts reflect Management's best estimates of the result on each contract and its estimated costs. The Corporation's Management assesses the profitability of its ongoing construction contracts and its order backlog at least once a month by using complete project management procedures. Where complex contracts are concerned, the contract's costs to complete and profitability are exposed to important uncertainties in estimation. Actual results could differ because of these unforeseen changes in the ongoing contracts' models. Further information on the Corporation's accounting policies used for construction contracts is provided in Note 2 d) to the condensed interim consolidated financial statements for the quarter ended April 30, 2011.

b) **Assessment and Impairment of Long-Lived Assets**

Management reviews the useful lives of its amortizable assets at each closing date. On July 31, 2011, Management estimated that the useful lives represented the expected useful life of the Corporation's assets. The carrying amounts are analyzed at the end of each fiscal year. Actual results could however differ because of technical obsolescence, particularly with regard to hardware and software.

c) **Income Taxes**

The Corporation calculates the income tax expense for each jurisdiction where it operates. However, the actual income tax amounts become definitive only upon the filing of income tax returns and acceptance thereof by the competent authorities, which occur after the financial statements are published. In addition, the estimate of income tax expense includes the assessment of the deferred income tax assets collectability and is based on an assessment of the capacity to use the underlying future tax deductions before they expire. The assessment is based on current tax laws and on an estimate of future taxable income.

The Corporation's tax rate for the three-month and six-month periods ended July 31, 2011 was 55% and 50% respectively (45% and 44% respectively for the corresponding periods ended July 31, 2010) of income before income tax expense.

4. **IMPORTANT JUDGEMENTS MADE BY MANAGEMENT WITH REGARD TO APPLYING ACCOUNTING POLICIES**

The following section discusses the important judgements that Management must make in the process of applying the Corporation's accounting policies, and that have the most significant effect on the financial statements. Uncertainties about critical estimates are disclosed in Note 3.

Revenues from Construction Contracts

Management estimates the percentage of completion of construction contract activity based on the available information at the reporting date. As part of this process, Management makes important judgements with regard to milestone marked, actual work performed and estimated costs to complete. Further information about the Corporation's accounting policies with regard to construction contracts is provided in Note 2 d) to the condensed interim consolidated financial statements for the quarter ended April 30, 2011.

5. **RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED**

Prior to Quarter-End Pronouncement

— **IFRS 9 "Financial Instruments"**

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through income. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through income or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in income to the extent not clearly representing a return on investment, are recognized in income; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, "Financial Instruments – Recognition and Measurement", except that fair value changes due to credit risk for liabilities designated at fair value through income would generally be recorded in other comprehensive income.

This standard comes into effect for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

— **IAS 12 "Income Taxes"**

The IASB issued on December 20, 2010 an amendment to IAS 12 "Income Taxes" related to the recovery of underlying assets. It addresses Deferred Tax: Recovery of Underlying Assets. The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 "Investment Property". For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. The exception also applies to investment property acquired in a business combination if the acquirer applies the fair value model in IAS 40 subsequent to the business combination. The amendments also incorporate the requirements of SIC-21 "Income Taxes—Recovery of Revalued Non-Depreciable Assets" into IAS 12, i.e., deferred tax arising on a non-depreciable asset measured using the revaluation model in IAS 16 should be based on the sale rate.

The effective date of the amendments is for annual periods beginning on or after January 1, 2012. Earlier application is permitted. Amendments to this standard will not have an impact on the Corporation, since it does not hold an investment property.

— **IFRS 10 "Consolidated Financial Statements"**

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 "Consolidation—Special Purpose Entities" and parts of IAS 27 "Consolidated and Separate Financial Statements".

The Corporation will start applying the amended IFRS 10 and IAS 27 standards for its fiscal year beginning on or after January 1, 2013. Earlier application is permitted. The Corporation has not yet assessed the impact that these standards will have on its financial statements or whether to early adopt these requirements.

— **IFRS 11 "Joint Arrangements"**

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures", and SIC-13 "Jointly Controlled Entities—Non-monetary Contributions by Venturers".

The Corporation will start applying IFRS 11 for its fiscal year beginning on or after January 1, 2013, although earlier application is permitted. The Corporation has not yet assessed the impact of the adoption of this standard or whether to early adopt this requirement.

— **IFRS 12 "Disclosure of Interests in Other Entities"**

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-Statement of Financial Position vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

The Corporation will start applying IFRS 12 for its fiscal year beginning on or after January 1, 2013, although earlier application is permitted. The Corporation has not yet assessed the impact that this standard will have on its financial statements or whether to early adopt this requirement.

— **IFRS 13 "Fair Value Measurement"**

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

The Corporation will start applying IFRS 13 for its fiscal year beginning January 1, 2013. Earlier application is permitted. The Corporation has not yet assessed the impact that this standard will have on its financial statements or whether to early adopt this requirement.

— **IAS 1 "Presentation of Financial Statements"**

Amended IAS 1 requires that comprehensive income be classified by nature: items that will not be reclassified in net income during a subsequent period and those that will subsequently be reclassified in net income when certain specific conditions are met.

The effective date of this amendment is for the Corporation fiscal years beginning on or after July 1, 2012, although earlier application is permitted. The Corporation has not yet assessed the impact that this amended standard will have on its financial statements or whether to early adopt this requirement.

— **Amendments to Other Standards**

In addition, there have been amendments to existing standards, including IAS 27 "Separate Financial Statements", and IAS 28 "Investments in Associates and Joint Ventures". IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

These new standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation has not yet assessed the impact that these amended standards will have on its financial statements or whether to early adopt these requirements.

6. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at	July 31, 2011	January 31, 2011
(In thousands of CA\$)	\$	\$
Accounts payable	3,770	2,770
Accrued charges	880	710
Salaries and fringe benefits payable	1,488	1,885
	6,138	5,365

7. CAPITAL STOCK

a) Capital Stock

Authorized: Unlimited number of subordinate voting shares, carrying one (1) vote per share.
 Unlimited number of multiple voting shares, carrying ten (10) votes per share.
 Unlimited number of preferred shares, issuable in series.

	Subordinate Voting Shares		Multiple Voting Shares		Total	
	Number	\$	Number	\$	Number	\$
(In thousands of CA\$, except for number of shares)						
As at February 1, 2010	20,122,605	59,435	14,343,107	16,001	34,465,712	75,436
Issued on exercise of stock options	249,200	277	—	—	249,200	277
Share redemption	(1,940,000)	(5,681)	—	—	(1,940,000)	(5,681)
As at January 31, 2011	18,431,805	54,031	14,343,107	16,001	32,774,912	70,032
Issued on exercise of stock options	17,000	20	—	—	17,000	20
As at July 31, 2011	18,448,805	54,051	14,343,107	16,001	32,791,912	70,052

b) Subordinate Voting Shares

During the three-month and six-month periods ended July 31, 2011, the Corporation issued, under its stock option plan, 17,000 subordinate voting shares for a total of \$13,000 (4,000 and 232,000 subordinate voting shares during the same periods ended July 31, 2010, for total of \$2,000 and \$164,000 respectively). (See "Stock Option Plan" hereinafter).

During the quarter ended April 30, 2011, the Corporation recognized as distribution to its shareholders of record as at April 29, 2011 dividends totalling \$328,000, or \$0.01 per share. This amount was paid on May 16, 2011.

c) Stock Option Plan

At July 31, 2011, a total of 3,426,029 subordinate voting shares (same as at January 31, 2011) were reserved for the stock option plan, of which 1,476,029 at July 31, 2011 (same as at January 31, 2011), had not yet been granted. The plan requires that the exercise price of the options granted must not be less than the closing market value on the day the options are granted by the Corporation's Board of Directors. These options start vesting one year after the grant date, at the rate of 20% per year, except those issued on February 20, 2007, which vest at a rate of 50% per year, and those issued on July 17, 2009 and December 14, 2009, which are exercisable over a three-year period, commencing at these dates. All options have a 10-year life from the grant date.

	As at July 31, 2011		As at January 31, 2011	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	(In units)	(In \$)	(In units)	(In \$)
Outstanding, at the beginning	1,381,864	1.39	1,591,064	1.27
Granted	—	—	50,000	1.88
Exercised	(17,000)	0.71	(249,200)	0.71
Cancelled	—	—	(10,000)	2.14
Outstanding, at the end	1,364,864	1.39	1,381,864	1.39
Exercisable, at the end	1,255,664	1.26	1,207,064	1.17

At July 31, 2011, the weighted average exercise price and the weighted average remaining contractual life of the options were as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
(In \$)		(Years)	(In \$)		(In \$)
6.48	5,000	6.45	6.48	3,000	6.48
5.65	60,000	6.71	5.65	36,000	5.65
2.52	60,000	8.37	2.52	40,000	2.52
2.45	168,000	7.96	2.45	168,000	2.45
2.14	27,664	5.56	2.14	27,664	2.14
1.88	50,000	9.13	1.88	—	1.88
1.79	48,000	5.37	1.79	36,000	1.79
1.63	50,000	3.91	1.63	50,000	1.63
1.15	2,000	7.40	1.15	800	1.15
1.14	20,000	4.86	1.14	20,000	1.14
1.05	8,000	4.81	1.05	8,000	1.05
0.71	866,200	3.70	0.71	866,200	0.71
	1,364,864	4.90	1.39	1,255,664	1.26

The Corporation did not grant options during the three-month and six-month periods ended July 31, 2011, nor during the same periods ended July 31, 2010. Total expenses of \$12,000 and \$71,000 respectively (\$57,000 and \$113,000 for the same periods ended July 31, 2010 respectively) were recorded in net consolidated income for the three-month and six-month periods ended July 31, 2011, and a corresponding amount was recorded as contributed surplus.

d) **Deferred Share Unit ("DSU")**

During the fiscal year ended January 31, 2011, the Board of Directors approved a Deferred Share Unit Plan for its external directors, which came into effect during the second quarter ended July 31, 2011.

This deferred compensation plan allows every external director, who wants to participate, to defer in whole or in part his/her director's compensation (including fees and attendance fees), by electing to receive a percentage (to a maximum of 100%) of this compensation in the form of DSU, which will be bought back by the Corporation on the date the external director ceases to be a director of the Corporation by reason of death, retirement or loss of function as director.

When a director elects to participate in this plan, the Corporation credits the account of the director for a number of units equal to the deferred compensation divided by the market value of the Subordinate Voting Shares, which is established using the closing average price during the five (5) trading days preceding the date of grant. When the Corporation pays dividends on Subordinate and Multiple Voting Shares, the accounts of the directors are credited for the amount in the form of additional units using the same basis of calculation previously described. The variation in fair value is recorded as a compensation expense with the counterpart in "Accounts payable and other current liabilities" of the Consolidated Statement of Financial Position.

DSU compensation issued during the three-month period ended July 31, 2011, amounted to \$10,000, representing 6,403 units, recorded in "Accounts payable and other current liabilities".

8. **ACCUMULATED OTHER COMPREHENSIVE INCOME**

Periods Ended July 31, (In thousands of CA\$)	3 Months		6 Months	
	2011	2010	2011	2010
Exchange differences on translation of foreign operations				
Balance, beginning of period	(3,116)	(749)	(1,621)	—
Changes during the period	229	76	(1,266)	(673)
Balance, end of period	(2,887)	(673)	(2,887)	(673)
Available-for-sale financial assets				
Balance, beginning of period	144	144	144	144
Changes during the period	—	—	—	—
Balance, end of period	144	144	144	144

As at	July 31, 2011	January 31, 2011
(In thousands of CA\$)	\$	\$
Allocated as follows:		
Exchange differences on translation of foreign operations ^{a)}	(2,887)	(1,621)
Available-for-sale financial assets ^{b)}	144	144
	(2,743)	(1,477)

a) "Translation of foreign operations" component represents exchange differences relating to the translation from the functional currencies of the Corporation's foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal.

b) "Available-for-sale financial assets" component arises upon the revaluation of available-for-sale financial assets. Where a reappraised financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in net income. Where a reappraised financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.

9. **CONSTRUCTION CONTRACTS**

Revenues totalling \$13,118,000 and \$26,347,000 for the three-month and six-month periods ended July 31, 2011, respectively (\$12,967,000 and \$26,608,000 for the corresponding periods ended July 31, 2010), related to construction contracts have been included in revenues of the reporting period. The amounts recorded in the Statement of Financial Position relate to current construction contracts at the end of the reporting period.

The amounts are calculated as the net incurred costs plus profits, less recognized losses and summary invoicing. The carrying amount of assets and liabilities is as follows:

As at	July 31, 2011	January 31, 2011
(In thousands of CA\$)	\$	\$
Total amount of cost incurred and profits and losses recorded on all ongoing contracts	135,420	123,246
Less progress billing	(136,006)	(127,837)
	(586)	(4,591)
Recognized as follows:		
Amounts owed by clients for work performed under the construction contracts, recorded as work in progress	1,436	403
Amounts owed to clients for work performed under the construction contracts, recorded as deferred revenues	(2,022)	(4,994)
	(586)	(4,591)

Advances received from clients on construction contracts for work not yet realized have been recognized in accounts payable and other current liabilities (see Note 6). The amount of these advances was \$1,230,000 at July 31, 2011 (nil at January 31, 2011).

Holdbacks on construction contracts will be received at the time of the client's approval of the work performed and amounts are as follows:

As at	July 31, 2011	January 31, 2011
(In thousands of CA\$)	\$	\$
Holdbacks on contracts included in current assets	4,562	167
Holdbacks on contracts included in non-current assets	—	3,562
	4,562	3,729

10. COST OF GOODS SOLD

Cost of goods sold is as follows:

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of CA\$)	\$	\$	\$	\$
Cost of goods sold	9,259	9,117	18,617	18,177
Amortization of property, plant and equipment and intangible assets	736	782	1,501	1,462
	9,995	9,899	20,118	19,639

11. AMORTIZATION EXPENSES

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of CA\$)	\$	\$	\$	\$
Amortization of property, plant and equipment	762	827	1,554	1,519
Amortization of intangible assets	89	81	178	165
	851	908	1,732	1,684

Only a building acquired for the sum of \$539,000 at the end of the second quarter and non-operational as at July 31, 2011, included in property, plant and equipment was not subject to amortization. The carrying amount of the property, plant and equipment currently under construction and not yet amortized as at July 31, 2011, totalled \$662,000 and related to the building's expansion.

The carrying amount of the property, plant and equipment not yet amortized as at July 31, 2011, totalled \$194,000 and related to the development of an integrated financial software program. All intangible assets were subject to amortization as at July 31, 2010.

12. FINANCE CHARGES

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of CA\$)	\$	\$	\$	\$
Interest on long-term debt	52	131	105	192
Other interest	7	(7)	14	4
	59	124	119	196

13. EARNINGS PER SHARE

Diluted earnings per share were calculated using the treasury stock method. The table hereafter reconciles the numerator and denominator used in the calculation of basic and diluted earnings per share.

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of CA\$)	\$	\$	\$	\$
Numerator (in thousands of CA\$)				
Numerator applicable to basic and diluted earnings per share	774	833	1,855	2,814
Denominator (in units)				
Basic weighted average number of shares	32,787	34,335	32,781	34,413
Effect of dilutive instruments:				
— Stock options	589	649	584	752
Diluted weighted average number of shares	33,376	34,984	33,365	35,165

For the purpose of computing diluted earnings per share, the Corporation must account for stock options as a dilutive instrument.

For the three-month and six-month periods ended July 31, 2011, only 1,068,864 and 933,200 stock options were included in the computation of diluted earnings per share respectively (1,063,064 for the three-month and six-month periods ended July 31, 2010), since the other options were antidilutive.

14. SUPPLEMENTAL CASH FLOWS INFORMATION

The following table sets out in detail the components of the "Changes in non-cash working capital items":

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of CA\$)	\$	\$	\$	\$
Accounts receivable	8,102	(6,047)	7,353	(11,098)
Holdbacks on contracts	(1,036)	(299)	(1,031)	1,174
Income tax	140	(81)	128	334
Work in progress	(910)	887	(1,076)	675
Inventories	145	(191)	87	(586)
Prepaid expenses and other current assets	(589)	111	(316)	(475)
Accounts payable and other current liabilities	1,034	130	1,267	1,852
Deferred revenues	(6,216)	2,016	(2,781)	1,549
Changes in non-cash working capital items	670	(3,474)	3,631	(6,575)

Financing and investing activities without impact on cash were nil as at July 31, 2011, and \$139,000 as at July 31, 2010, relating to the disposal of property, plant and equipment given in exchange for new ones.

For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents are disclosed as follows:

As at	July 31, 2011	January 31, 2011
(In thousands of CA\$)	\$	\$
Cash	22,203	15,918
Cash equivalents – term deposits	—	2,759
	22,203	18,677

15. RELATED-PARTY TRANSACTIONS

In the normal course of business, certain transactions were concluded with companies held by controlling shareholders. These transactions, summarized below, are measured at the exchange value, which approaches the market value:

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of CA\$)	\$	\$	\$	\$
Management fees	355	212	629	500

The Corporation's principal executive officers are members of the Board of Directors and members of the Management Committee of ADF Group Inc. (the parent company) and their related persons. Their compensation includes the following expenses:

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of CA\$)	\$	\$	\$	\$
Salaries and other short-term benefits	206	143	343	304
Social security cost	30	33	52	52
Pension plan contributions	—	—	44	22
Share-based compensation	11	53	69	106
Other	32	54	101	121
	279	283	609	605

16. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollars, since the majority of its revenues is recorded in U.S. dollars, i.e. approximately 98% during the six-month period ended July 31, 2011 (98% during the six-month period ended July 31, 2010). As part of its foreign currency hedge policy, the Corporation uses different mechanisms to mitigate the impact of these fluctuations on its results, such as:

- Maximizing purchases in U.S. dollars when possible to avail itself of a natural hedging;
- Acquiring fabrication equipment in U.S. dollars;
- Conversion of the long-term debt in U.S. dollars; and
- Using forward exchange contracts to hedge part of the residual exchange risk.

During the first six months, the Corporation concluded foreign exchange forward contracts, all during the first quarter ended April 30, 2011. The Corporation has committed to sell during that period US\$3,000,000 at a rate of CA\$0.97 for US\$1.00 and US\$3,000,000 at a rate of CA\$0.98 for US\$1.00. These forward exchange contracts matured as follows: US\$1,500,000 in July 2011, US\$1,500,000 in October 2011, US\$1,500,000 in January 2012 and US\$1,500,000 in April 2012.

In addition, each forward exchange contract includes an option on currency, of equal value, in favour of the issuing financial institution that can exercise it, at will, for the indicated value if the rate, at maturity date, is higher than the prescribed rate of \$0.97 or \$0.98, as the case may be. If the rate is below \$0.97 or \$0.98 at maturity date, the option will become obsolete. Thereby, the financial institution did not exercise the option which came to maturity at the end of the second quarter ended July 31, 2011.

The operations related to foreign exchange forward contracts are summarized below:

(In thousands of \$, except for rates)	6 months period ended July 31, 2011			12 months period ended January 31, 2011		
	US\$	CA\$	Average Rate	US\$	CA\$	Average Rate
Balance, at the beginning	16,500	17,328	1.0502	17,000	19,080	1.1224
Acquisitions	6,000	5,850	0.9750	27,000	28,395	1.0517
Matured	(16,500)	(17,230)	1.0442	(27,500)	(30,147)	1.0963
Balance, at the end	6,000	5,948	0.9913	16,500	17,328	1.0502

The balance of unmatured forward exchange contracts totalled US\$6,000,000 as at July 31, 2011 (US\$16,500,000 on January 31, 2011), representing 14% of the net risk (25% on January 31, 2011) between the future cash inflows and outflows denominated in U.S. dollars in regard to the order backlog in hand for the fiscal year ending January 31, 2012. These derivative financial instruments mature as follows:

(In thousands of \$, except rates)	Foreign Exchange Forward Contracts			Options on Currency		
	US\$	CA\$	Average Rate	US\$	CA\$ ¹	Minimum Rate ¹
October 31, 2011	3,000	3,007	1.0025	1,500	1,455	0.9700
January 31, 2012	1,500	1,470	0.9800	1,500	1,470	0.9800
April 30, 2012	1,500	1,470	0.9800	1,500	1,470	0.9800
	6,000	5,947	0.9913	4,500	4,395	0.9767

1. Represents the minimum amount the Corporation could have to pay out, at the minimum specified rate, should the financial institution exercise its conversion feature at maturity date. However, this payout could be higher in the event where the market rate of the U.S. dollar in relation to the Canadian dollar is higher at the date of maturity of each of these options.

These derivative financial instruments are classified as held for trading and are measured at their fair value at the end of each period since they are not designated as part of an effective hedging relationship.

The Corporation's position is summarized below:

As at	July 31, 2011	January 31, 2011
(In thousands of CA\$)	\$	\$
Current assets relating to derivative financial instruments:		
Forward exchange contracts	201	741
Current liabilities relating to derivative financial instruments:		
Options on currency	92	—
Interest rate swap	44	45
	136	45

Moreover, the Corporation collected \$758,000 with regard to exchange gains on contracts that matured during the three-month period ended July 31, 2011, the fair value of which was US\$9,000,000, at an average rate of CA\$1.038 for US\$1.00, compared with the collection of \$495,000 related to exchange gains on contracts that matured during the three-month period ended July 31, 2010, the fair value of which was US\$5,000,000 at an average rate of CA\$1.128 for US\$1.00. Taking into account the favourable position of \$741,000 at January 31, 2011, the portion of the foreign exchange loss related to derivative financial instruments included under "Foreign exchange gain" totalled \$95,000 during the three-month period ended July 31, 2011 (a \$146,000 loss during the three-month period ended July 31, 2010, taking into account the favourable position of \$832,000 at January 31, 2010).

The Corporation collected \$1,531,000 with regard to exchange gains on contracts that matured during the six-month period ended July 31, 2011, the fair value of which was US\$16,500,000, at an average rate of CA\$1.0442 for US\$1.00, compared with the collection of \$1,077,000 related to exchange gains on contracts that matured during the six-month period ended July 31, 2010, the fair value of which was US\$10,000,000 at an average rate of CA\$1.128 for US\$1.00. Taking into account the favourable position of \$741,000 at January 31, 2011, the portion of the foreign exchange gain related to derivative financial instruments included under "Foreign exchange gain" totalled \$899,000 during the six-month period ended July 31, 2011 (\$814,000 gain during the six-month period ended July 31, 2010, taking into account the favourable position of \$832,000 at January 31, 2010).

17. SEGMENTED INFORMATION

The Corporation operates in the non-residential construction sector, primarily in the United States and Canada. Its operations include the connections design and engineering, fabrication and installation of complex steel structures, heavy steel built-ups, as well as miscellaneous and architectural metalwork.

Periods Ended July 31,	3 Months		6 Months	
	2011	2010	2011	2010
(In thousands of CA\$)	\$	\$	\$	\$
Revenues				
Canada	250	123	475	563
United States	12,868	12,844	25,872	26,045
	13,118	12,967	26,347	26,608

As at	July 31, 2011	January 31, 2011
(In thousands of CA\$)	\$	\$
Property, Plant and Equipment		
Canada	45,297	46,767
United States	638	104
	45,935	46,871

All intangible assets and investment tax credits included under "Other non-current assets" at January 31, 2011 and July 31, 2011, originated from Canada.

During the six-month period ended July 31, 2011, one client accounted for 94% of the Corporation's revenues (one client accounted for 90% of the revenues during the six-month period ended July 31, 2010), and therefore accounted for more than 10% of revenues

18. FIRST-TIME ADOPTION OF IFRS

These financial statements are the Corporation's second condensed interim consolidated financial statements prepared in accordance with IFRS (Note 2). The date of transition to IFRS is February 1, 2010.

The Corporation is required to establish IFRS accounting policies from the date of transition and, except for certain translation-related elections, to retrospectively apply these policies to determine the IFRS opening balance sheet as at February 1, 2010. Descriptions of exemptions and exceptions under IFRS to this general retrospective application principle, as well as the Corporation's elections are disclosed in Note 18 to the condensed interim consolidated financial statements for the three-month period ended April 30, 2011. This note also presents reconciliations between the Corporation's 2011 previous GAAP financial statements and the 2011 IFRS financial statements. It also includes reconciliations between the Consolidated Statements of Income, Comprehensive Income and Cash Flows for the fiscal year ended January 31, 2011, as well as reconciliations between the Consolidated Statements of Financial Position and Changes in Shareholders' Equity as at February 1, 2010 and January 31, 2011. Important additional annual disclosures under IFRS are also presented in this note.

The following tables present reconciliations between the Consolidated Statements of Income, Comprehensive Income and Cash Flows for the three-month and six-month periods ended July 31, 2011, as well as reconciliations between the Consolidated Statements of Financial Position and Changes in Shareholders' Equity as at July 31, 2010.

Previous Wording	Note	Reconciliation of Financial Position as at July 31, 2010				New Wording ¹
		Previous GAAP	Impact of translation to IFRS	Reclassification	IFRS	
(In thousands of CA\$)		\$	\$	\$	\$	
ASSETS						ASSETS
Current						Current assets
Cash and cash equivalents		7,960	—	—	7,960	Cash and cash equivalents
Short-term investments		7,610	—	—	7,610	Short-term investments
Accounts receivable	e	25,287	—	(1,350)	23,937	Accounts receivable
Income taxes		123	—	—	123	Income tax assets
Holdbacks on contracts		583	—	—	583	Holdbacks on contracts
Investment tax credits		536	—	(536)	—	
Work in progress		847	—	—	847	Work in progress
Inventories		3,679	—	—	3,679	Inventories
Prepaid expenses	e	885	—	1,886	2,771	Prepaid expenses and other current assets
Derivative financial instruments		569	—	—	569	Derivative financial instruments
Future income tax assets	a	3,630	(3,630)	—	—	
		51,709	(3,630)	—	48,079	Total current assets
						Non-current assets
Holdbacks on long-term contracts		2,107	—	—	2,107	Holdbacks on contracts
Investment tax credits	e	2,065	—	(2,065)	—	
Property, plant and equipment	b,c	43,458	4,663	—	48,121	Property, plant and equipment
Intangible assets		2,625	—	—	2,625	Intangible assets
Other assets	e	243	—	2,065	2,308	Other non-current assets
Future income tax assets	a	6,721	2,432	—	9,153	Deferred income tax assets
		108,928	3,465	—	112,393	Total assets
LIABILITIES						LIABILITIES
Current						Current liabilities
Accounts payable		3,977	—	2,174	6,151	Accounts payable and other current liabilities
Accrued charges		1,118	—	(1,118)	—	
Salaries and fringe benefits payable		1,056	—	(1,056)	—	
Deferred revenues		3,701	—	—	3,701	Deferred revenues
Derivative financial instruments		59	—	—	59	Derivative financial instruments
Current portion of long-term debt		2,537	—	—	2,537	Current portion of long-term debt
		12,448	—	—	12,448	Total current liabilities
						Non-current liabilities
Long-term debt		7,485	—	—	7,485	Long-term debt
Future income tax liabilities	a,b	688	(447)	—	241	Deferred income tax liabilities
		20,621	(447)	—	20,174	Total liabilities
SHAREHOLDERS' EQUITY						SHAREHOLDERS' EQUITY
Retained earnings	b,c,d	11,875	4,287	—	16,162	Retained income
Accumulated other comprehensive income	c	144	(673)	—	(529)	Accumulated other comprehensive income
		12,019	3,614	—	15,633	
Capital stock	d	71,385	84	—	71,469	Capital stock
Contributed surplus	d	4,903	214	—	5,117	Contributed surplus
		88,307	3,912	—	92,219	Total shareholders' equity
		108,928	3,465	—	112,393	Total liabilities and shareholders' equity

1. Certain presentation differences between previous GAAP and IFRS have no impact on net income or shareholders' equity. As shown in the following tables, some of the items are described differently under IFRS compared to GAAP, although the assets and liabilities included in these items are unaffected.

Reconciliation of Shareholders' Equity as at:	Note	July 31, 2010
(In thousands of CA\$, except for per-share amounts)		\$
Capital stock under previous GAAP		71,385
Net impact of translation to IFRS on share-based compensation	d	84
Capital stock under IFRS		71,469
Contributed surplus under previous GAAP		4,903
Net impact of translation to IFRS on share-based compensation	d	214
Contributed surplus under IFRS		5,117
Accumulated other comprehensive income under previous GAAP		144
Net impact of the change in the functional currencies of foreign operations	c	(673)
Accumulated other comprehensive income under IFRS		(529)
Retained earnings under previous GAAP		11,875
Net impact on the recovery of a property, plant and equipment impairment	b	681
Net impact of the land's reassessment as per the election under IFRS 1	b	3,223
Net impact of the change in the functional currencies of foreign operations	c	681
Net impact of translation to IFRS on share-based compensation	d	(298)
Retained income under IFRS		16,162
Shareholders' equity under previous GAAP		88,307
Total adjustments	b,c,d	3,912
Shareholders' equity under IFRS		92,219

Previous Wording	Note	Reconciliation of Net Income for the 3-Month Period Ended July 31, 2010				New Wording ¹
		Previous GAAP	Impact of translation to IFRS	Reclassification	IFRS	
(In thousands of CA\$, except per-share amounts)		\$	\$	\$	\$	
Revenues		12,967	—	—	12,967	Revenues
Cost of goods sold	b,c,e	9,117	6	776	9,899	Cost of goods sold
Gross margin before foreign exchange variation	e	3,850	(6)	(776)	3,068	Gross margin
	d,e		(31)	1,451	1,420	Selling and administrative expenses
	e		—	(160)	(160)	Financial revenues
	e		—	124	124	Finance charges
Loss (gain) on foreign exchange	c	99	73	—	172	Foreign exchange loss
	e	99	42	1,415	1,556	
Gross margin	e	3,751	—	(3,751)	—	
Selling and administrative expenses	e	1,325	—	(1,325)	—	
Earnings before undernoted items:	e	2,426	—	(2,426)	—	
Amortization						
Amortization of property, plant and equipment	e	821	—	(821)	—	
Amortization of intangible assets	e	81	—	(81)	—	
	e	902	—	(902)	—	
Earnings before financial charges (interest income) and income taxes	e	1,524	—	(1,524)	—	
Financial charges (interest income)	e	(36)	—	36	—	
Earnings before income taxes		1,560	(48)	—	1,512	Income before income tax expense
Income taxes	b	682	(3)	—	679	Income tax expense
Net earnings and comprehensive income		878	(45)	—	833	Net income for the period
Basic earnings per share		0.03	—	—	0.02	Basic earnings per share
Diluted earnings per share		0.03	—	—	0.02	Diluted earnings per share

Previous Wording	Note	Reconciliation of Comprehensive Income for the 3-Month Period Ended July 31, 2010				New Wording ¹
		Previous GAAP	Impact of translation to IFRS	Reclassification	IFRS	
(In thousands of CA\$)		\$	\$	\$	\$	
Net earnings		878	(45)	—	833	Net income for the period
Other comprehensive income:						Other comprehensive income:
	c	—	76	—	76	Exchange differences on translation of foreign operations
Comprehensive income		878	31	—	909	Comprehensive income for the period

1. Certain presentation differences between previous GAAP and IFRS have no impact on net income or shareholders' equity. As shown in the following tables, some of the items are described differently under IFRS compared to GAAP, although the assets and liabilities included in these items are unaffected.

Previous Wording	Note	Reconciliation of Net Income for the 6-Month Period Ended July 31, 2011				New Wording ¹
		Previous GAAP	Impact of translation to IFRS	Reclassification	IFRS	
(In thousands of CA\$, except per-share amounts)		\$	\$	\$	\$	
Revenues		26,608	—	—	26,608	Revenues
Cost of goods sold	b,c,e	18,177	12	1,450	19,639	Cost of goods sold
Gross margin before foreign exchange variation		8,431	(12)	(1,450)	6,969	Gross margin
	d,e	—	(75)	2,973	2,898	Selling and administrative expenses
	e	—	—	(182)	(182)	Financial revenues
	e	—	—	196	196	Finance charges
(Gain) loss on foreign exchange	c	(325)	(670)	—	(995)	Foreign exchange gain
		(325)	(745)	2,987	1,917	
Gross margin	e	8,756	—	(8,756)	—	
Selling and administrative expenses	e	2,751	—	(2,751)	—	
Earnings before undernoted items:		6,005	—	(6,005)	—	
Amortization						
Amortization of property, plant and equipment	e	1,507	—	(1,507)	—	
Amortization of intangible assets	e	165	—	(165)	—	
		1,672	—	(1,672)	—	
Earnings before finance charges (interest income) and income taxes	e	4,333	—	(4,333)	—	
Financial charges (interest income)	e	14	—	(14)	—	
Earnings before income taxes		4,319	733	—	5,052	Income before income tax expense
Income taxes	b	2,243	(5)	—	2,238	Income tax expense
Net earnings and comprehensive income		2,076	738	—	2,814	Net income for the period
Basic earnings per share		0.06	—	—	0.08	Basic earnings per share
Diluted earnings per share		0.06	—	—	0.08	Diluted earnings per share

Previous Wording	Note	Reconciliation of Comprehensive Income for the 6-Month Period Ended July 31, 2011				New Wording ¹
		Previous GAAP	Impact of translation to IFRS	Reclassification	IFRS	
(In thousands of CA\$)		\$	\$	\$	\$	
Net earnings		2,076	738	—	2,814	Net income for the period
Other comprehensive income:						Other comprehensive income:
	c	—	(673)	—	(673)	Exchange differences on translation of foreign operations
Comprehensive income		2,076	65	—	2,141	Comprehensive income for the period

1. Certain presentation differences between previous GAAP and IFRS have no impact on net income or shareholders' equity. As shown in the following tables, some of the items are described differently under IFRS compared to GAAP, although the assets and liabilities included in these items are unaffected.

Previous Wording (In thousands of CA\$)	Reconciliation of Cash Flows for the 3-Month Period Ended July 31, 2010					New Wording ¹
	Previous GAAP	Note c	Notes b and d	Note ²	IFRS	
OPERATING ACTIVITIES						OPERATING ACTIVITIES
Net earnings	878	(70)	25	—	833	Net income
Adjustment for:						Non-cash items:
Amortization of property, plant and equipment	821	(3)	9	—	827	Amortization of property, plant and equipment
Amortization of intangible assets	81	—	—	—	81	Amortization of intangible assets
Change in the fair value of derivative financial instruments	701	—	—	—	701	Unrealized gain on derivative financial instruments
Non-cash exchange loss (gain)	150	(15)	—	(18)	117	Non-cash exchange loss
Interest capitalized on long-term debt	4	—	—	(4)	—	
	—	—	—	(160)	(160)	Financial revenues
	—	—	—	124	124	Finance charges
Stock-based compensation	88	—	(31)	—	57	Share-based compensation
Future income taxes	622	—	(3)	60	679	Income tax expense
Net earnings adjusted for non-monetary items	3,345	(88)	—	2	3,259	Net income adjusted for non-cash items
Changes in non-cash operating items	(3,424)	57	—	(107)	(3,474)	Changes in non-cash working capital items
	—	—	—	—	—	Income tax expense paid
	(79)	(31)	—	(105)	(215)	Cash flow from (used in) operating activities
INVESTING ACTIVITIES						INVESTING ACTIVITIES
Disposal of short-term investments	3,952	30	—	83	4,065	Disposal of short-term investments
		—	—	64	64	Interest received
Acquisition of property, plant and equipment	(504)	—	—	—	(504)	Acquisition of property, plant and equipment
Acquisition of intangible assets	(81)	1	—	—	(80)	Acquisition of intangible assets
Decrease in other assets	1	—	—	—	1	Reduction in other non-current assets
	3,368	31	—	147	3,546	Cash flows from (used in) investing activities
FINANCING ACTIVITIES						FINANCING ACTIVITIES
Repayment of long-term debt	(656)	—	—	—	(656)	Repayment of long-term debt
	—	—	—	(60)	(60)	Interest paid
Issuance of subordinate voting shares	2	—	—	—	2	Issuance of subordinate voting shares
Redemption of subordinate voting shares	(2,636)	—	—	—	(2,636)	Redemption of subordinate voting shares
	(3,290)	—	—	(60)	(3,350)	Cash flows from (used in) financing activities
Impact of fluctuations in foreign exchange rate on cash	59	—	—	18	77	Impact of fluctuations in foreign exchange rate on cash
Net cash inflows (outflows)	58	—	—	—	58	Net increase in cash and cash equivalents
Cash and cash equivalents, beginning of period	7,902	—	—	—	7,902	Cash and cash equivalents, beginning of period
Cash and cash equivalents, end of period	7,960	—	—	—	7,960	Cash and cash equivalents, end of period

1. Certain presentation differences between previous GAAP and IFRS have no impact on net income or shareholders' equity. As shown in the following tables, some of the items are described differently under IFRS compared to GAAP, although the assets and liabilities included in these items are unaffected.
2. Under previous GAAP, interest paid (received) and income tax paid included in the determination of net income, were disclosed separately as supplementary cash flows information. Under IFRS, interest paid (received) and income tax paid, are included into the body of the Statement of Cash Flows as separate items.

Previous Wording	Reconciliation of Cash Flows for the 6-Month Period Ended July 31, 2010					New Wording ¹
	Previous GAAP	Note c	Notes b and d	Note ²	IFRS	
(In thousands of CA\$)	\$	\$	\$	\$	\$	
OPERATING ACTIVITIES						OPERATING ACTIVITIES
Net earnings	2,076	676	62	—	2,814	Net income
Adjustment for:						Non-cash items:
Amortization of property, plant and equipment	1,507	(6)	18	—	1,519	Amortization of property, plant and equipment
Amortization of intangible assets	165	—	—	—	165	Amortization of intangible assets
Gain on disposal of property, plant and equipment	(52)	—	—	—	(52)	Gain on disposal of property, plant and equipment
Change in the fair value of derivative financial instruments	322	—	—	—	322	Unrealized gain on derivative financial instruments
Non-cash exchange loss (gain)	(23)	(320)	—	—	(343)	Non-cash exchange gain
Interest capitalized on long-term debt	8	—	—	(8)	—	
	—	—	—	(182)	(182)	Financial revenues
	—	—	—	196	196	Finance charges
Stock-based compensation	188	—	(75)	—	113	Share-based compensation
Future income taxes	2,062	—	(5)	181	2,238	Income tax expense
Net earnings adjusted for non-monetary items	6,253	350	—	187	6,790	Net income adjusted for non-cash items
Changes in non-cash operating items	(6,300)	(253)	—	(22)	(6,575)	Changes in non-cash working capital items
	—	—	—	(191)	(191)	Income tax expense paid
	(47)	97	—	(26)	24	Cash flows from (used in) operating activities
INVESTING ACTIVITIES						INVESTING ACTIVITIES
Disposal of short-term investments	4,042	(97)	—	(11)	3,934	Disposal of short-term investments
	—	—	—	158	158	Interest received
Acquisition of property, plant and equipment	(2,153)	—	—	—	(2,153)	Acquisition of property, plant and equipment
Acquisition of intangible assets	(200)	—	—	—	(200)	Acquisition of intangible assets
Decrease in other assets	4	—	—	—	4	Reduction in other non-current assets
	1,693	(97)	—	147	1,743	Cash flows from (used in) investment activities
FINANCING ACTIVITIES						FINANCING ACTIVITIES
Issuance of long-term debt	4,370	—	—	—	4,370	Issuance of long-term debt
Repayment of long-term debt	(1,067)	—	—	—	(1,067)	Repayment of long-term debt
	—	—	—	(121)	(121)	Interest paid
Issuance of subordinate voting shares	164	—	—	—	164	Issuance of subordinate voting shares
Redemption of subordinate voting shares	(2,786)	—	—	—	(2,786)	Redemption of subordinate voting shares
	681	—	—	(121)	560	Cash flows from (used in) financing activities
Impact of fluctuations in foreign exchange rate on cash	(137)	—	—	—	(137)	Impact of fluctuations in foreign exchange rate on cash
Net cash inflows	2,190	—	—	—	2,190	Net increase in cash and cash equivalents
Cash and cash equivalents, beginning of period	5,770	—	—	—	5,770	Cash and cash equivalents, beginning of period
Cash and cash equivalents, end of period	7,960	—	—	—	7,960	Cash and cash equivalents, end of period

1. Certain presentation differences between previous GAAP and IFRS have no impact on net income or shareholders' equity. As shown in the following tables, some of the items are described differently under IFRS compared to GAAP, although the assets and liabilities included in these items are unaffected.
2. Under previous GAAP, interest paid (received) and income tax paid included in the determination of net income, were disclosed separately as supplementary cash flows information. Under IFRS, interest paid (received) and income tax paid, are included into the body of the Statement of Cash Flows as separate items.

EXPLANATORY NOTES

a) Reclassification of Deferred Tax Assets and Deferred Tax Liabilities

Under previous GAAP, when a company segregated its assets and liabilities between current and non-current assets and liabilities, the current and non-current portions of deferred income tax assets and deferred income tax liabilities were also segregated. Under IFRS, when an entity classifies its Statement of Financial Position by presenting current assets and liabilities separately from non-current assets and liabilities, it needs to classify deferred income tax assets and deferred income tax liabilities as non-current assets and non-current liabilities.

Consequently, as at July 31, 2010, a deferred tax asset of \$3,630,000 included in current assets was reclassified to non-current assets for an amount of \$2,432,000 on the date of transition and for an amount of \$1,198,000 in reduction of a deferred income tax liability included in non-current liabilities.

b) Property, Plant and Equipment

– Reassessment as Deemed Cost

As describes in Note 18 to the condensed interim consolidated financial statements for the first quarter ended April 30, 2011, in accordance with the elective exemptions under IFRS 1, the Corporation elected to assess its land at fair value and designate this fair value as its deemed cost on the date of transition. This reappraisal increased the land's carrying amount by \$3,724,000 as at February 1, 2010, July 31, 2010 and January 31, 2011, and increased the deferred income tax liability by \$501,000, representing a net impact of \$3,223,000 in retained income on February 1, 2010.

– Impairment of Assets

As further discussed in Note 18 to the condensed interim consolidated financial statements for the first quarter ended April 30, 2011, a favourable adjustment of \$949,000 increased the carrying amount of the buildings on February 1, 2010 and an amount of \$255,000 increased the deferred income tax liability, representing a favourable net adjustment of \$694,000 in retained income as at February 1, 2010. This adjustment was recorded to restore the carrying amount of the impaired property, plant and equipment to their carrying amount that would have been determined after amortization had no impairment been previously recognized, since an impairment no longer exists.

However, after the recognition of this impairment reversal, the amortization expense for the asset was adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life. The adjustments to income are summarized as follows:

	Consolidated Statements of Income	
	3-Month Period Ended July 31, 2010	6-Month Period Ended July 31, 2011
(In thousands of CA\$)	\$	\$
Amortization of property, plant and equipment	9	18
Income tax expense	(3)	(5)
Net impact on net income	6	13

Therefore, the overall impact in the Consolidated Statement of Financial Position of the translation to IFRS on property, plant and equipment for the reassessment of the land and the recovery of impairment is as follows:

	Consolidated Statements of Financial Position At July 31, 2010
(In thousands of CA\$)	\$
Property, plant and equipment – Adjustment of the cost for the reassessment of the land	3,724
Property, plant and equipment – Reduction in accumulated amortization related to the recovery of impairment	931
Property, plant and equipment – Net value	4,655
Deferred income tax liabilities	(751)
Net impact on retained income	3,904

c) Effects of Changes in Foreign Exchange Rates

Under Canadian GAAP, the classification between an integrated and self-sustaining foreign operation is based on criteria of independence, which require professional judgment of the foreign operations' specific economic facts and circumstances.

Under IFRS, the foreign operation cannot be classified as an integrated or self-sustaining foreign operation. The entity must identify its own functional currency and measure its financial position and its income in that currency. The functional currency, which is determined by the primary economic environment in which the entity operates, must be assessed by taking into account three key indicators, two soft indicators and four complementary indicators should the entity be a foreign operation.

The functional currency of each entity included in the Corporation's financial statements was assessed using the indicators specified under IFRS. Following these analyses, the Corporation concluded that the functional currency of its U.S. operations was the U.S. dollar.

As further discussed in Note 18 to the condensed interim consolidated financial statements for the first quarter ended April 30, 2011, the transition to IFRS impacted the rates used to convert each unit's operations. This change only had an impact on the rate used to convert property, plant and equipment (which must represent the closing rate under IFRS, rather than the original rate under Canadian GAAP) held by the foreign operations and the amortization expense related of these property, plant and equipment (which must correspond to the average rate under IFRS, instead of the original rate under Canadian GAAP).

In addition, in light of this change, the translation gains or losses resulting from the conversion of the foreign operations' financial statements are recognized in the Statement of Comprehensive Income.

	Consolidated Statements of Income	
	3-Month Period Ended July 31, 2010	3-Month Period Ended July 31, 2010
(In thousands of CA\$)	\$	\$
Amortization of property, plant and equipment	(3)	(6)
Foreign exchange loss (gain)	73	(670)
Net impact on net income	70	(676)

	Consolidated Statements of Financial Position
	At July 31, 2010
(In thousands of CA\$)	\$
Property, plant and equipment - Cost	(271)
Property, plant and equipment – Accumulated amortization	279
Net impact on property, plant and equipment	8
Net impact on accumulated other comprehensive income relating to the exchange differences on translation of foreign operations	(673)
Net impact on retained income	681

d) **Share-Based Payment**

IFRS 2 "Share-Based Payment" requires that stock option grant tranches with different vesting dates be recognized separately and fair value determined for each grant. As at February 1, 2010, each tranche's compensation cost was recalculated using the new method and amortized over their respective vesting period, the consequences of which are as follows:

	Consolidated Statements of Income	
	3-Month Period Ended July 31, 2010	6-Month Period Ended July 31, 2010
(In thousands of CA\$)	\$	\$
Selling and administrative expenses	(31)	(75)

	Consolidated Statements of Financial Position
	At July 31, 2010
(In thousands of CA\$)	\$
Increase in share-based compensation following the conversion to IFRS	298
Differences relating to the conversion to IFRS on exercised options	(84)
Net impact on contributed surplus	214
Differences relating to the conversion to IFRS on exercised options	84
Net impact on shareholders' equity	84
Increase in share-based compensation following the conversion to IFRS	(298)
Net impact on retained income	(298)

e) **Reclassification**

Some of the comparative information has been reclassified in the consolidated financial statements to comply with the new reporting under IFRS.



COMPLEX STEEL STRUCTURES
AND HEAVY STEEL BUILT-UPS
FOR THE NON-RESIDENTIAL
CONSTRUCTION INDUSTRY

QUARTERLY REPORT 2

Three-Month and Six-Month Periods ended July 31, 2011

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